

**City of Marquette, Michigan**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2004**

**City of Marquette, Michigan**

**Comprehensive Annual Financial Statement**

**Fiscal Year Ended June 30, 2004**

**City Commission  
Gerald Irby, Mayor**

**James Schneider  
Joseph Lavey  
Stuart Bradley  
Frank Sciotto  
Tony Tollefson  
David Carlson**

**City Manager  
Gerald Peterson**

**Prepared By  
Finance and Accounting Department**

**Finance Director  
Gary Simpson**

**Independent Auditors  
Anderson, Tackman & Company, P.L.C.**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>City of Marquette</u>		County <u>Marquette</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>November 12, 2004</u>	Date Accountant Report Submitted to State: <u>December 28, 2004</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <u>Anderson, Tackman &amp; Co PLC</u>			
Street Address <u>102 W. Washington, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>Alicia Hills CPA</u>			

**City of Marquette**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2004**  
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marquette,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

# Marquette



the Superior location

November 12, 2004

Honorable Mayor, Members of the City Commission,  
And the Citizens of Marquette, Michigan

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Marquette, Michigan for the fiscal year ended June 30, 2004, is hereby submitted in accordance with Section 8.9 of the City Charter, State and Federal statutes. The City Charter and statutes require that the City of Marquette, Michigan issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management.

We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

## REPORTING ENTITY

The financial reporting entity (the City) includes all the funds of the primary government (i.e., City of Marquette, Michigan as legally defined), as well as all of its component units. The criterion used in determining the reporting entity is in accordance with Statement #14 by the Governmental Accounting Standards Board (GASB). Component units are legally separate entities for which the primary government is financially accountable. Blended component units (although legally separate entities) are, in substance, part of the primary government's operations and are included (blended) as part of the primary government. The City of Marquette Building Authority is included as a blended component unit because its sole purpose is to finance and construct the City's public buildings. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The City of Marquette Board of Light and Power, the City of Marquette Downtown Development Authority, and the Peter White Public Library are reported as discretely presented component units in this CAFR.

## CITY PROFILE

The City of Marquette is the county seat of Marquette County and is the largest community in Michigan's Upper Peninsula. The county contains the largest land mass out of all Michigan counties, encompassing 1,878 square miles. The City is located on the south shore of Lake Superior and is one of the oldest communities in Michigan's Upper Peninsula. Founded in 1849 with the discovery of high grade iron ore, the City has been a major port for shipping for more than 100 years. It was incorporated as a village in 1859 and as a city in 1871 under the provision of Act 279, PS 1909, as amended (Home Rule City Act).

The City provides a full range of municipal activities including: executive, elections, general services, administration, law enforcement, fire protection, protective inspection, public parks and recreation, cultural, conservation of natural resources, planning, and other functions. In addition, the City maintains four enterprise funds providing water and sewer utilities, marina services, transportation rental services, and stormwater management.

The City of Marquette is organized under the Commission-Manager form of government. The Commission consists of seven members, elected at large, who are residents of the City and qualified to vote under the constitution and laws of the State of Michigan. The members of the Commission are elected to serve staggered terms of three years with a maximum of six consecutive years. The Mayor and Mayor Pro-Tem of the City are elected annually from amongst the Commission members. The Commission appoints the City Manager and the City Attorney. All other administrative appointments are the responsibility of the City Manager.

## ECONOMIC CONDITIONS AND OUTLOOK

With a stable population of approximately 20,000 residents and affordable living – average annual income approximately \$30,000, median home price \$87,000, average two-bedroom apartment monthly rental cost \$400 – the City is positioned to withstand the current nation-wide economic uncertainty. The City's major employers, Northern Michigan University and Marquette General Hospital, continue to help strengthen the area economy. NMU, despite State funding cutbacks, is increasing enrollment to near record levels and MGH continues to expand which should help bring more jobs and spending to the local economy. The area's timber operations are self-sustaining and continue to provide employment and pump money into the local economy and the iron ore mines continue operations after a brief close down in the summer of 2001. The City still has room to expand in its industrial park and interest appears to be picking up in potential companies desiring to locate there. These additions will add more jobs, more spending, and added property tax base to the local economy.

The City also continues to benefit economically as a popular recreation and vacation spot as there are plenty of both summer and winter recreational activities. This past summer saw the continuation of Cruise Ships visiting the City as a regular stop on tours of the Great Lakes which will provide even greater opportunities to pump more money into the local economy. Also, through its Downtown Development Authority, the City continues to work with the downtown merchants and provide opportunities for attracting more visitors to Marquette's downtown shopping district. Current projects include adding a linear park with an out-door ice skating rink in the downtown area and to continue to

strongly support the festivals which bring in several thousands of visitors to the City each year.

Marquette continues to provide a quality of life that is difficult to match anywhere in the country. Our leadership continues to guide the future of Marquette with a proactive, visionary approach and an appreciation for cooperation and teamwork. Nearly 160 community volunteers serve on the City's 24 boards, committees, and commissions. The City will prosper and continue to be a "Superior Location" with open government leadership, a strong education system, an active business community and spirited citizen involvement.

### **FY 2004 INITIATIVES**

Some of the major themes which guided projects and initiatives for FY 2004 were as follows:

- Infrastructure Maintenance
- New Road System Development
- Maintaining and Improving the Downtown
- Development of the Founders Landing (formerly South Rail Yard) Property

In accordance with these themes, the following was accomplished in FY 2004:

- ✓ Stormwater Drainage Improvements - \$769,842
- ✓ Water/Sewer System Improvements - \$426,875
- ✓ Street/Road Reconstruction - \$1,569,015
- ✓ Downtown Commons - \$136,252
- ✓ Founders Landing Construction - \$ 2,704,810

### **PLANNING FOR THE FUTURE**

Key components of the City Commission approved Strategic Plan for FY 2004 were:

- ⇒ Develop our Master Plan to incorporate our vision concepts.
- ⇒ Maintain our leadership role in infrastructure development and improvements.
- ⇒ Continue to foster regionalism.
- ⇒ Complete a comprehensive review and update of city ordinances.

#### **#1) Develop our Master Plan to incorporate our vision concepts.**

- Develop a vision using the vision concepts collected from area residents, boards, committees, and commissions.
- Waterfront Plan from Hawley Street to the City Limits.
- Other issues to be addressed are: Hospital Zone, Site Plan Review, North and South McClellan Avenue, Railroad Properties, Seventh Street Extended, Iron Bay Business Park and Shoreline Erosion, Trail System (motorized and non motorized), and Pilings Re-use.

## **#2) Maintain our leadership role in infrastructure development and improvements.**

- Undertake major and local street reconstruction projects.
- Work toward having overhead utilities converted to underground.
- Monitor Wastewater Treatment Plant.
- Continue the development of a truck route to avoid residential areas.
- Evaluate clearing the median of utilities, signs, and trees during major street reconstruction and renovation projects.
- Conduct an over all evaluation of park facilities and uses for best utilization.

## **#3) Continue to foster regionalism.**

- Partner with others to complete a demographic assessment.
- Continue to address senior and recreation issues from a regional perspective.

Plans beyond FY 2004 will continue to emphasize the major themes of aggressive infrastructure improvement, technology enhancement, and maintenance of currently operating facilities with an even stronger emphasis on the waterfront and downtown areas.

## **FINANCIAL INFORMATION – THE NEW REPORTING MODEL FORMAT**

The Format of the report using the GASB Statement 34 guidelines is significantly different from prior years. This is the second year that the City has prepared the comprehensive annual financial report using the new reporting model format. The objective of the new model is to increase accountability of the City by providing more useful information to a wider range of users. A few of the more significant changes include:

- ❖ The financial information has been moved from the transmittal letter to the 'Management Discussion and Analysis' (MD&A). This provides a more in-depth review and discussion of the City's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Unlike the transmittal letter, the MD&A is reviewed by the auditors. Most readers will read this section first. Many of the key financial topics are covered by the MD&A. The MD&A can be found immediately after the auditor's opinion letter.
- ❖ For the first time, entity wide statements are presented on a full accrual basis of accounting. Streets, bridges, and sidewalks have been included in the Statement of Net Assets as capital assets. Capital assets are depreciated. Long-term debt has been reported. The full accrual method is better for addressing overall operating results and financial position of the City as an economic entity.
- ❖ In the basic financial statements, individual fund activity is disclosed for 'major' funds. Nonmajor funds are combined in one column. Reporting by major fund helps readers' focus attention on the big picture items. As in prior years, the statements for governmental activities are reported on a modified accrual basis. This means that all non-entity wide statements require reconciliation schedules to the entity wide statements.

- ❖ Because of the different basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis of accounting is the traditional method used for governmental activities. The modified accrual method provides an easier framework for budgeting and controlling expenditures.

## OTHER FINANCIAL INFORMATION

**Risk Management** – The objective of risk management is to provide maximum quality protection to the City's assets, employees and the public at the lowest possible cost. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City is constantly evaluating its risk management practices seeking to improve its safety and loss control functions, insurance placement, and financing practices.

As of July 1, 1997 the City of Marquette initiated a comprehensive risk management program with the Michigan Municipal Liability & Property Pool for general liability, public officials errors and omissions, police professional liability, personal injury and broadcaster liability, and automotive liability insurance. The Michigan Municipal Liability Workmen's Compensation Pool is used for employee injury claims. Both of these are risk sharing pools whereby member premiums are used to pay member claims in excess of deductibles and to purchase commercial excess insurance coverage.

**Cash Management** – Pursuant to the cash management policy of the City, cash temporarily idle during the year was invested in those investments authorized by law and included certificates of deposit, demand savings accounts, and securities sold by the United States government or its agencies and State approved municipal trust funds. The City invests all funds' cash, with maturities planned to coincide with cash needs utilizing the pooled cash concept whenever possible. Any cash available for longer term investing is reviewed by the Investment Advisory Board which meets quarterly. The Board of Light and Power Electric Utility Fund has separate cash management and investing practices apart from all other City funds. The operations of the Light and Power Utility are administered by an elected Board.

The City of Marquette's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Detailed information is presented in Footnote B, which classifies levels of risk for deposits and investments.

**Pension Benefits** – The City provides retirement benefits to its employees through one of three different plans. The Pension Funded Ratio (PFR) of the Actuarial Accrued Liability measures the progress of the systems in accumulating benefits when due.

Qualified employees of the Fire and Police Departments are included in a single-employer public employee retirement system under the guidelines of Public Act 345 and is accounted for as a Pension Trust Fund. As of December 31, 2003, this plan had a PFR of 118%, down from the December 31, 2002 PFR of 126%.

Qualified Senior and Middle Management employees are included in a defined contribution plan. This plan had no unfunded liabilities as of December 31, 2003.



All other qualified employees are included in an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. As of December 31, 2003, this plan had a PFR of 87%, up slightly from the PFR of 85% of December 31, 2002.

## OTHER INFORMATION

**Independent Audit** – The City Charter requires an annual audit of the accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant selected by the City Commission. This requirement has been completed and the independent auditor's report has been included in this report.

**Awards** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marquette, Michigan for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This is the 18<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other awards recently presented to the City include: All American City designation for Marquette County, Cool City designation from the Governor, Governor's Council on Physical Fitness, Health and Sports for Level 3 Promoting Active Communities, Tree City USA from the National Arbor Day Foundation for the past twenty-one consecutive years, Excellence in Storage from the Salt Institute for the last ten consecutive years, USEPA Region 5 Award of Excellence to the Marquette Area Wastewater Treatment Facility in 1996 and 2001, Eminent Conceptor Award and Grand Award from American Consulting Engineers Council for Excellence in Engineering for the Water Filtration Plant in 1998, Honor Award from American Academy of Environmental Engineers for Excellence in Engineering for the Water Filtration Plant in 1998, and Public Awareness Award from Michigan Section AWWA in 1998.

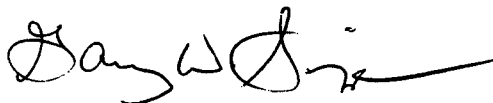
**Acknowledgments** – Special recognition must be extended to members of the Finance Department who assisted with the development of the Comprehensive Annual Financial Report and annual independent audit. We wish to express our appreciation to all members of the City's departments and the accounting firm of Anderson, Tackman and Company, PLC, who contributed to this preparation.

We would also like to thank the members of the Marquette City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

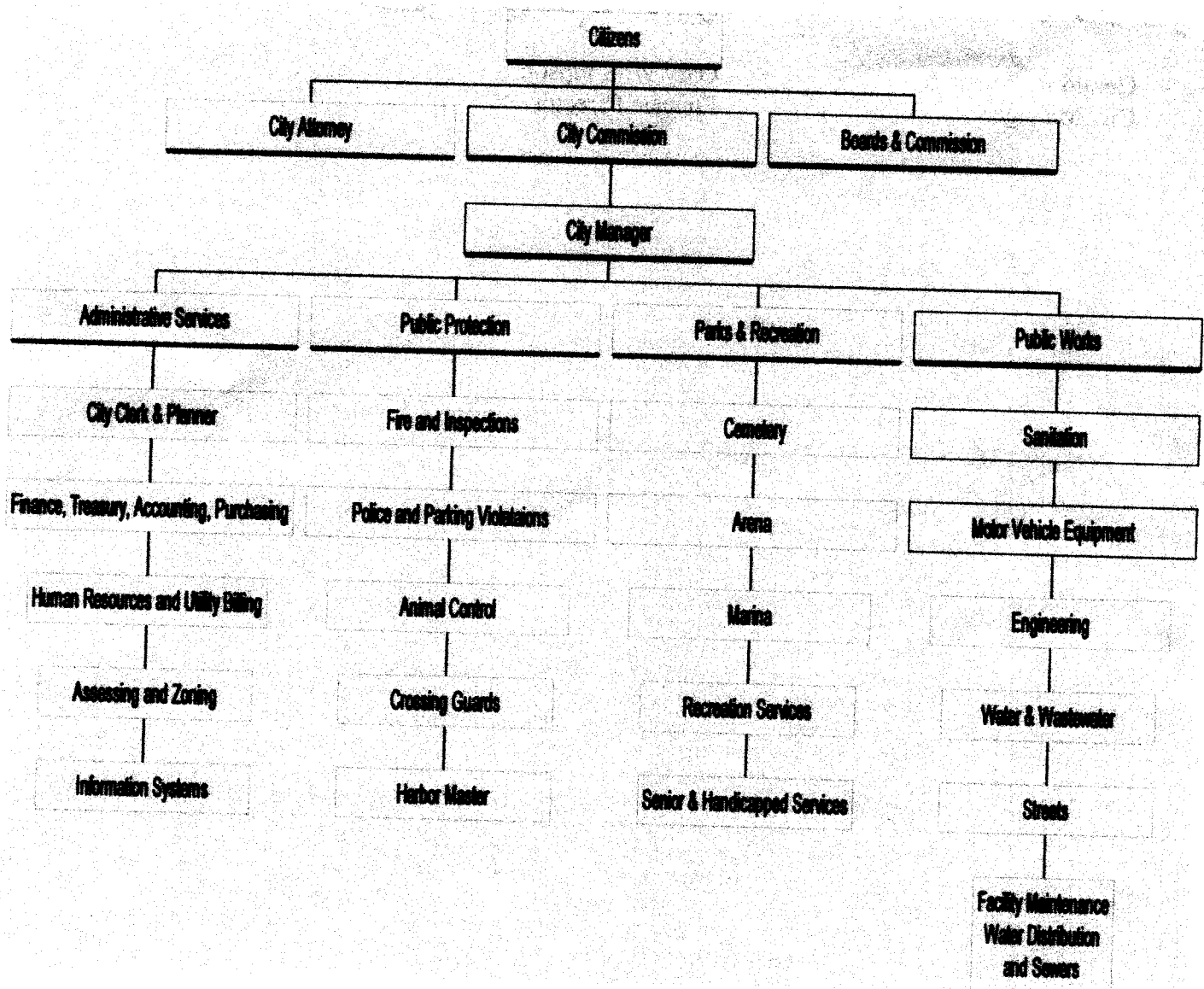


Gerald R. Peterson  
City Manager



Gary W. Simpson  
Finance Director

# City of Marquette Organizational Chart



CITY OF MARQUETTE, MICHIGAN  
ADMINISTRATIVE STAFF

City Manager	Gerald Peterson
Assistant City Manager	Karl Zueger
City Attorney	Bonnie Hoff
Finance Director	Gary Simpson
City Assessor	Dwight Sunday
City Clerk	Norman Gruber
City Engineer	Arthur Ontto
Assistant City Engineer	Brian Savolainen
City Treasurer	Diane Giddens
Utility Accountant	Kathleen Foulks
Community Service Center Director	Charles L. Richardson
Information Systems Director	Alan Hawker
Police Chief	Philip Siegert
Fire Chief	Thomas Belt
Library Director	Pamela Christensen
Light and Power Utility Director	David Hickey
Superintendent of Public Works	Steven P. Lawry
Superintendent of Water and Wastewater	Roger Olson
Fleet Manager	Ted Gagnon
Human Resources Manager	Judy Akkala
Arts and Culture Director	Reatha Tweedie



Anderson, Tackman & Company, PLC  
Certified Public Accountants  
Marquette, Michigan 906-225-1166

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the City  
Commission and the City Manager of the  
City of Marquette, Michigan

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Marquette, Michigan as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Light and Power, a component unit of the City, which represents 84 percent and 92 percent of the assets and revenues of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Light and Power, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the City of Marquette, Michigan at June 30, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However,

Honorable Mayor, Members of the City  
Commission and the City Manager of the  
City of Marquette, Michigan

we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated November 12, 2004 on our consideration of the City of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the City of Marquette, Michigan's basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City of Marquette, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

November 12, 2004

## City of Marquette, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Marquette's financial performance provides an overview of the City's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which begin on page 34.

#### FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$1,006,606 as a result of this year's operations. Net assets of our business-type activities increased by \$496,530, or one percent, and net assets of our governmental activities increased by \$510,076, or two percent.
- During the year, the City had expenses for governmental activities that were \$9,829,946 more than the \$8,743,781 generated in program revenues and other program sources.
- The City's business-type activities increased net assets by \$496,530 from operations.
- The general fund reported a net change in fund balance of \$339,341. This is \$500,076 higher than the forecasted decrease of (\$160,735).

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 34 and 35) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 36. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 24. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health*

is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, stormwater, marina and transportation center activities are reported here.
- *Component units* – The City includes three separate legal entities in its report – the Board of Light and Power, the Peter White Public Library and the Downtown Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 25. The fund financial statements begin on page 36 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the



business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Vehicle Equipment Fund.

### The City as Trustee

The City is the trustee, or fiduciary, for its Fire-Police Retirement System pension plan. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 45 and 46. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

Table I provides a summary of the City's net assets as of June 30, 2004 and 2003.

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$17,110,708	\$15,199,930	\$13,156,985	\$11,825,873	\$30,267,693	\$27,025,803
Capital assets, net	<u>29,724,011</u>	<u>27,280,495</u>	<u>38,992,499</u>	<u>36,944,679</u>	<u>68,716,510</u>	<u>64,225,174</u>
Total Assets	<u>46,834,719</u>	<u>42,480,425</u>	<u>52,149,484</u>	<u>48,770,552</u>	<u>99,984,203</u>	<u>91,250,977</u>
Current liabilities	9,109,029	9,578,964	2,208,714	1,814,890	11,317,743	11,393,854
Noncurrent liabilities	<u>12,311,181</u>	<u>7,997,028</u>	<u>11,269,175</u>	<u>8,780,597</u>	<u>23,580,356</u>	<u>16,777,625</u>
Total Liabilities	<u>21,420,210</u>	<u>17,575,992</u>	<u>13,477,889</u>	<u>10,595,487</u>	<u>34,898,099</u>	<u>28,171,479</u>
Net Assets:						
Invested in capital assets, net of related debt	17,517,503	19,624,856	27,558,113	25,035,733	45,075,616	44,660,589
Restricted	-	-	2,134,176	2,275,947	2,134,176	2,275,947
Unrestricted	<u>7,897,006</u>	<u>5,279,577</u>	<u>8,979,306</u>	<u>10,863,385</u>	<u>16,876,312</u>	<u>16,142,962</u>
Total Net Assets	<u>\$25,414,509</u>	<u>\$24,904,433</u>	<u>\$38,671,595</u>	<u>\$38,175,065</u>	<u>\$64,086,104</u>	<u>\$63,079,498</u>

Net assets of the City's governmental activities stood at \$25,414,509. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$7,897,006.

The \$7,897,006 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$38,671,595. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2004 and 2003.

**Table 2**  
**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program revenues:						
Charges for services	\$4,705,185	\$3,423,086	\$6,738,283	\$6,742,670	\$10,813,468	\$10,165,756
Operating grants and contributions	2,873,580	2,109,042	536	-	2,874,116	2,109,042
Capital grants and contributions	1,795,016	1,283,881	-	-	1,795,016	1,283,881
General revenues:						
Property taxes	7,983,740	7,886,445	-	-	7,983,740	7,886,445
Unrestricted state sources	2,264,254	2,653,565	-	-	2,264,254	2,653,565
Investment earnings	(97,837)	269,968	263,458	376,037	165,621	646,005
Miscellaneous	428,449	298,153	(2,105)	(52,407)	426,344	245,746
Total Revenues	<u>19,322,387</u>	<u>17,924,140</u>	<u>7,000,172</u>	<u>7,066,300</u>	<u>26,322,559</u>	<u>24,990,440</u>
Program Expenses:						
General Government	3,749,652	3,186,717	-	-	3,749,652	3,186,717
Public health and safety	4,649,016	4,208,180	-	-	4,649,016	4,208,180
Public works	2,850,031	2,689,183	-	-	2,850,031	2,689,183
Highways and streets	2,604,467	2,245,852	-	-	2,604,467	2,245,852
Social services	840,683	371,076	-	-	840,683	371,076
Sanitation	1,148,170	1,168,005	-	-	1,148,170	1,168,005
Recreation and culture	1,398,509	1,164,311	-	-	1,398,509	1,164,311
Interest on long-term debt	458,058	490,149	-	-	458,058	490,149
Depreciation - unallocated	875,141	713,961	-	-	875,141	713,961
Water supply and sewage disposal	-	-	5,449,460	5,438,937	5,449,460	5,438,937
Stormwater utility	-	-	692,413	926,614	692,413	926,614
Marina	-	-	416,614	385,734	416,614	385,734
Intermodal transportation terminal	-	-	173,272	181,272	173,272	181,272
Total Expenses	<u>18,573,727</u>	<u>16,237,434</u>	<u>6,731,759</u>	<u>6,932,557</u>	<u>25,305,486</u>	<u>23,169,991</u>
Excess (deficiency) before transfers and extraordinary item	748,660	1,686,706	268,413	133,743	1,017,073	1,820,449
Transfers	(228,117)	(111,379)	228,117	111,379	-	-
Extraordinary item	(10,467)	(288,255)	-	-	(10,467)	(288,255)
Increase (decrease) in net assets	510,076	1,287,072	496,530	245,122	1,006,606	1,532,194
Net assets, beginning	<u>24,904,433</u>	<u>23,617,361</u>	<u>38,175,065</u>	<u>37,929,943</u>	<u>63,079,498</u>	<u>61,547,304</u>
Net Assets, Ending	<u>\$25,414,509</u>	<u>\$24,904,433</u>	<u>\$38,671,595</u>	<u>\$38,175,065</u>	<u>\$64,086,104</u>	<u>\$63,079,498</u>

The City's total revenues were \$26,322,559. The total cost of all programs and services was \$25,315,953, leaving an increase in net assets of \$1,006,606. Our analysis below separately considers the operations of governmental and business-type activities:

#### *Governmental Activities – Analysis of Individual Funds:*

##### **General Fund**

The General Fund had revenues (excluding transfers-in) of \$14.1 million, a decrease of \$1.3 million (an 8.5% decrease) from the prior fiscal year. This decrease is mostly due to the combination of Grant revenue declining by \$1,087,572 (a 90.2% decrease) and State Shared Revenues declining by \$342,892 (a 13.1% decrease). Grant revenue decreased due to not being awarded as much from grant sources from the previous year. State Revenue Sharing decreased due to lower receipts from the State pools of Fire Protection for State Facilities in the amount of \$253,496 and Sales Taxes of \$90,310. Other revenues were as follows: Property Taxes increased 2.7% (no change in millage rates); Payments-in-lieu-of-taxes decreased 2.7%; and all other revenue sources increased 0.9%.

General Fund expenditures (excluding transfers out) decreased \$790,232 (a 5.8% decrease) from the prior fiscal year. This decrease is due to lower capital outlay expenditures of \$1.2 million from the prior fiscal year. Expenditures by function were as follows: General Government increased 3.9%; Public Health and Safety decreased 0.6%; Public Works and Sanitation decreased 14.6% (decreased capital outlay); all other expenditure functions decreased 22.8% (decreased capital outlay).

Net Other Financing Uses decreased 72.8% due to decreased Transfers Out to the Major Street Fund and reimbursement from the Major Street Fund to the General Fund for temporarily financing reconstruction due to the flooding of the Dead River in 2003.

The total Fund Balance increased \$339,341 (9.2%) from the previous fiscal year while the unreserved portion of the Fund Balance decreased \$559,116 (17.4%).

### **Major and Local Street Funds**

The Major Street Fund had revenues increase 36.3% and the Local Street Fund had revenues increase 42.3% from the previous fiscal year. Both of these increases are due to increases in funding for Winter Maintenance from the State and from higher receipts from the State's Gas Tax pool. Together, the Major and Local Street Funds had revenues increase 37.9% from the previous fiscal year.

The Major Street Fund had expenditure decreases of 19.2% and the Local Street Fund had expenditures increase 11.7% from the previous fiscal year. The Major Street decrease is attributable mostly to lower capital outlay. The Local Street increase is attributable to higher Winter Maintenance costs from the previous fiscal year. Together, the Major and Local Street Funds had expenditures decrease 7.9% from the previous fiscal year.

Net Other Financing Sources decreased 72.9% for the Major Street Fund and decreased 6.7% for the Local Street Fund. The Major and Local Street decrease is due to a lower Transfer-In from the General Fund. Together, the Major and Local Street Funds had Net Other Financing Sources decrease 42.6% from the previous fiscal year.

While these two funds traditionally do not carry a Fund Balance, the Major Street Fund has started to receive some reimbursements for the 2003 Dead River Flood damages and, due to the timing of it all, the Major Street Fund has a Fund Balance of \$170,712. It is anticipated this Fund Balance will return to 0 in the next fiscal year.

### **Lakeview Arena Fund**

The Lakeview Arena Fund had revenues almost equal to the previous fiscal year with only a slight decrease of \$169. Use and Admission fees were down almost \$9,000 while Rentals were up almost \$9,000 from the previous fiscal year.

Expenditures in the Lakeview Arena Fund increased 2.3% from the previous fiscal year. Operating costs were higher in large part due to higher personnel costs (wages and health insurance mostly) and higher utility costs.

Other Financing Sources for the Lakeview Arena Fund increased 21.0% from the previous fiscal year. This is due to the Transfer-In from the General Fund being higher this year to offset higher operating costs in the Lakeview Arena Fund itself.

The Fund Balance increased by almost \$26,439 (60.2%) from the previous fiscal year.

### **Construction Fund**

Capital construction projects that have funding sources of more than one City accounting fund are accounted for in this single fund. In prior years, projects with multiple accounting fund sources were accounted for in each particular fund thereby making tracking of these projects a difficult process. This is the second year of using this single Construction Fund.

For this fiscal year, total project expenditures were \$3.2 million. \$1.7 million (53.8%) was funded from various State and Private Sources while the remainder was funded by transfers-in from other City funds and Bond proceeds.

Major Projects were Linear Park Development, Founders Landing Development, and Spring Street Reconstruction.

### **Debt Service Fund**

The Debt Service Fund is used for the payments on the outstanding bonds for the Municipal Service Center and for the Lakeview Arena. The Municipal Service Center has \$4.35 million in outstanding principal remaining while the Lakeview Arena has \$445,000 in outstanding principal remaining. The Municipal Service Center is funded by charges to various user City departments while the Lakeview Arena is funded by a transfer from the General Fund.

### **Other Governmental Activity Funds**

The three funds, Environmental Protection; Criminal Justice Training; and Michigan State Housing Development Authority grant (MSHDA) round out the Governmental Activity area. Environmental Protection had no revenues and expenditures leaving it with a fund balance of \$13,268. Criminal Justice Training had revenues of \$8,064 and expenditures of \$7,751 leaving a fund balance of \$14,110. MSHDA had revenues of \$608,091 and expenditures of \$510,879 leaving a fund balance of \$97,212.

Table 3 presents the cost of each of the six largest programs – General Government, Public Health and Safety, Public Works, Highways and Streets, Sanitation, and Recreation and Culture – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
General government	\$3,749,652	\$2,609,434
Public health and safety	4,649,016	4,506,683
Public works	2,850,031	53,127
Highways and streets	2,604,467	564,837
Sanitation	1,148,170	35,915
Recreation and culture	1,398,509	633,196

*Business-type Activities – Analysis of Individual Funds:*

**Water and Sewer Fund**

The combined Water and Sewer Fund had operating revenues of \$5.7 million, a decrease of \$31,929 (0.6%) from the previous fiscal year. Since rates have not changed over the past eight years, the decrease in operating revenues was due to decreases in customer usage.

Operating expenses increased \$188,787 (3.8%) from the previous fiscal year. The increase was due to higher charges from the Engineering Department and increased depreciation charges.

Net Non-Operating Expenses decreased \$141,802 (60.9%) due to lower bond interest expense from refunding several outstanding bond issues to take advantage of lower interest rates.

Net Assets increased \$433,856 (1.4%) from the previous fiscal year.

**Stormwater Fund**

The Stormwater Fund had operating revenues of over \$660,000, a decrease of \$3,500 (0.5%) from the previous fiscal year. There were no changes in the fee rate structure this past year.

Operating expenses decreased \$224,484 (26.9%) from the previous fiscal year. The decrease was due to a lower booking of uncollectible accounts.

Net Non-Operating Expenses increased \$14,844 (119.0%) from the previous fiscal year due to lower investment income.

Net Assets increased \$99,843 (2.5%) from the previous fiscal year.

**Marina Fund**

The Marina Fund had operating revenues of \$252,099, an increase of \$16,317 (6.9%) from the previous fiscal year. This is due to Presque Isle Marina not being operational for part of the season last fiscal year due to the flooding of the Dead River. Both Marina's were fully operational for FY 04.

Operating Expenses increased almost \$40,642 (11.9%) from the previous fiscal year. The increase was due to higher Professional Service charges over the prior fiscal year.

Net Non-Operating Expenses decreased \$8,875 (21.2%) from the previous fiscal year due lower bond interest expense from refunding an outstanding bond issue.

Net Assets decreased \$10,058 (0.5%) from the previous fiscal year.

### **Intermodal Transportation Fund**

The Intermodal Transportation Fund had operating revenues of \$145,992, an increase of \$14,709 (11.2%) from the previous fiscal year. The increase was due to a 'catch-up' provision in the contract with the State Police Lab that operates out of the MarqTran Building.

Operating Expenses decreased \$8,000 (4.4%) from the previous fiscal year. Personnel Services, Professional Services, Supplies, and Utilities were up 2.3% while Other Charges were down 22.2% from the previous fiscal year.

Net Non-Operating Revenues increased \$169 from the prior fiscal year.

Net Assets decreased \$27,111 (2.7%) from the previous fiscal year.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 36) reported a *combined* fund balance of \$7,950,525, an increase of \$3,676,417 from the beginning of the year. The increase was due to issuance of \$5.1 million in debt to cover construction costs.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission revised the budget two times. Revisions were made to the budget for the rollover of encumbrances from the previous fiscal year and to prevent budget overruns.

Revenue projections were below the final budgeted amount due to Property Taxes and Payment In Lieu of Taxes being less than expected, reductions in State Revenue Sharing and lower Investment Income.

The shortfall in revenue projections was offset by expenditures being under budget as well. Almost every department in the General Fund came in under budget by the end of the fiscal year. The largest under-budget category came from Transfers-Out not needing to be as great as originally anticipated to cover operating costs in the Major Street Fund.

With these adjustments, actual charges to expenditures were \$42,384 less than the final amended budget. Conversely, revenues were \$956,943 less than the final budget projection.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2004, the City had \$68,716,510 invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and infrastructure. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities 2004	Business-type Activities 2004	Totals 2004
Land and construction in progress	\$8,513,840	\$102,500	\$8,616,340
Land improvements	3,231,717	2,127,109	5,358,826
Buildings and improvements	9,060,965	9,695,167	18,756,132
Equipment and furnishings	4,295,399	952,363	5,247,762
Infrastructure	1,548,579	23,205,966	24,754,545
Investment in joint venture	3,073,511	2,909,394	5,982,905
Totals	<u>\$29,724,011</u>	<u>\$38,992,499</u>	<u>\$68,716,510</u>

There will continue to be two big capital projects in the upcoming fiscal year: The continued development of the 'Founders Landing' property and improvements to Sewer Pump Stations. Founders Landing has been and will continue to be financed through various grant sources, bond proceeds, and property sales to developers. The Sewer Pump Stations will cost approximately \$3.6 million and is being financed through a 'Clean Water Revolving Fund' loan which will be repaid through revenues of the Water and Sewer Fund. Further details on capital assets can be found in Note J.

### Debt

At year-end, the City had \$24,802,053 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2004	Business-type Activities 2004	Totals 2004
General obligation bonds	\$10,525,949	\$ -	\$10,525,949
Revenue bonds	-	8,375,000	8,375,000
Contracts and notes payable	1,680,560	3,619,991	5,300,551
Capital lease obligations	-	600,553	600,553
Totals	<u>\$12,206,509</u>	<u>\$12,595,544</u>	<u>\$24,802,053</u>

There were three new additions and two refundings to debt for this year and further details on long-term debt can be found in Note F.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2004 budget. One of those factors is the economy. The State of Michigan has suffered from an economic downturn which has forced the State to deal with an approximately \$1 billion budgetary shortfall.

This shortfall trickles down to local units by way of Revenue Sharing payments being reduced by the State. We anticipate that we haven't seen the last of the State Revenue Sharing cuts and this will greatly impact the City's General Fund budget over the next several years. State Revenue Sharing represents approximately 16% of General Fund revenues.

Property Taxes are another big factor in the City's General Fund budget. Property Taxes are calculated on taxable value. Taxable value growth is capped, by State constitution, at the lower of the rate of inflation or 5%. In the year when property sells, the taxable value is then allowed to be adjusted to reflect actual increases in taxable value and then the capping process starts all over again.

It is projected this capping process is costing the City approximately \$800,000 per year by not being able to fully realize the true increases in taxable value. The development of the 'Founders Landing' project will help increase tax revenues by approximately \$260,000 per year. This will not be realized until the project is completed in two to three more years.

Declining interest rates have both benefited and harmed the City's budget. On the benefit side, the City has refunded some Revenue Bonds which will decrease the debt service requirements for the Water and Sewer and the Marina Funds. This will help to keep those user fee rates from rising.

On the harmful side, the General Fund had become accustomed to collecting a property tax equivalent of almost 2 mills from investment interest. The current property tax equivalent has dropped to below 0.5 mills.

On the expenditure side, the City is dealing with sizable increases in health insurance costs for health insurance provided to its employee's. Recent years have seen increases of as high as 25% in this cost. Several strategies have been formed along with several committees in order to deal with this situation. This has been a topic of great discussion during the current labor negotiations.

Also on the expenditure side, with the issuance of bonds to fund the 'Founders Landing' project, new debt service will be required. Debt Service payments that have not needed to be budgeted for in the past will be required to be budgeted for starting next fiscal year. Average debt service requirements over the next twenty years will be \$305,000.

Overall, the prospect of declining major revenues and increasing expenditures in the General Fund will make for a challenging budget process. City's management is now and will continue to be challenged to increase current revenue sources and find new ones and also to contain expenditures in order to provide our citizens with a balanced budget and still provide the level of services that are demanded.



## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at City of Marquette, 300 West Baraga, Marquette, Michigan, 49855.

## **City of Marquette, Michigan**

### **BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements provide an overview of the City's financial position and the result of the current year's operations and cash flows.

These Basic Financial Statements indicate the classes and funds displayed in subsequent sections of the report and present comprehensive data for assets, liabilities, revenues, transfers, expenses or expenditures and cash flows of City funds.

**City of Marquette, Michigan**

**STATEMENT OF NET ASSETS**

June 30, 2004

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,593,439	\$ 6,335,776	\$ 11,929,215	\$ 9,010,675
Investments	429,323	-	429,323	8,148,321
Receivables (net)	9,400,725	4,174,779	13,575,504	2,304,932
Primary government internal balances	345,372	(345,372)	-	-
Component unit internal balances	107,897	-	107,897	(107,897)
Inventory	144,436	153,298	297,734	1,597,746
Prepaid expenses and other assets	57,441	33,206	90,647	80,598
Other current assets	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>16,078,633</b>	<b>10,351,687</b>	<b>26,430,320</b>	<b>21,034,375</b>
Noncurrent assets:				
Restricted assets	964,623	2,613,654	3,578,277	6,170,741
Long-term receivables	67,452	-	67,452	-
Unamortized bond issue costs	-	191,644	191,644	106,656
Investment in UPPPA	-	-	-	1,648,112
Capital assets:				
Investment in joint venture	3,073,511	2,909,394	5,982,905	-
Land and construction in progress	8,513,840	102,500	8,616,340	1,234,675
Other capital assets	35,907,136	49,920,566	85,827,702	122,489,207
Accumulated depreciation	(17,770,476)	(13,939,961)	(31,710,437)	(74,327,882)
Total Capital Assets	29,724,011	38,992,499	68,716,510	49,396,000
<b>TOTAL NONCURRENT ASSETS</b>	<b>30,756,086</b>	<b>41,797,797</b>	<b>72,553,883</b>	<b>57,321,509</b>
<b>TOTAL ASSETS</b>	<b>46,834,719</b>	<b>52,149,484</b>	<b>98,984,203</b>	<b>78,355,884</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	607,742	807,947	1,415,689	1,718,992
Accrued liabilities	195,810	46,147	241,957	126,762
Deferred revenue	6,633,905	124,638	6,758,543	1,302,351
Compensated absences	797,435	153,466	950,901	833,609
Current portion of bonds payable	730,158	290,000	1,020,158	456,429
Current portion of notes and contracts payable	143,979	18,418	162,397	11,073
Current portion of capital lease obligations	-	117,089	117,089	-
Other current liabilities	-	31,009	31,009	1,318,771
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,109,029</b>	<b>1,588,714</b>	<b>10,697,743</b>	<b>5,767,987</b>
Current Liabilities (payable from restricted assets):				
Current maturities on revenue bonds	-	620,000	620,000	3,705,000
Revenue bond accrued interest payable	-	-	-	254,932
<b>TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>	<b>-</b>	<b>620,000</b>	<b>620,000</b>	<b>3,959,932</b>
Noncurrent Liabilities:				
Compensated absences	978,809	-	978,809	75,887
Bonds payable	9,795,791	7,465,000	17,260,791	16,380,789
Long-term contracts and notes payable	1,536,581	3,601,573	5,138,154	17,676
Capital lease obligations	-	483,464	483,464	-
Premium on refunding	-	64,055	64,055	-
Deferred amounts on refunding	-	(344,917)	(344,917)	-
Other	-	-	-	1,868,276
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>12,311,181</b>	<b>11,269,175</b>	<b>23,580,356</b>	<b>18,342,628</b>
<b>TOTAL LIABILITIES</b>	<b>21,420,210</b>	<b>13,477,889</b>	<b>34,898,099</b>	<b>28,070,547</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	17,517,503	27,558,113	45,075,616	32,530,033
Restricted for:				
Debt Service	-	2,134,176	2,134,176	668,981
Other activities	-	-	-	2,950,413
Unrestricted	7,897,006	8,979,306	16,876,312	14,135,910
<b>TOTAL NET ASSETS</b>	<b>\$ 25,414,509</b>	<b>\$ 38,671,595</b>	<b>\$ 64,086,104</b>	<b>\$ 50,285,337</b>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 3,749,652	\$ 1,087,850	\$ 52,368	\$ -	\$ (2,609,434)	\$ -	\$ (2,609,434)	\$ -
Public health and safety	4,649,016	108,808	25,525	8,000	(4,506,683)	-	(4,506,683)	-
Public works	2,850,031	1,027,142	8,929	1,760,833	(53,127)	-	(53,127)	-
Highway and streets	2,604,467	-	2,039,630	-	(564,837)	-	(564,837)	-
Social services	840,683	-	747,128	-	(93,555)	-	(93,555)	-
Sanitation	1,148,170	1,112,255	-	-	(35,915)	-	(35,915)	-
Recreation and culture	1,398,509	739,130	-	26,183	(633,196)	-	(633,196)	-
Interest on long-term debt	458,058	-	-	-	(458,058)	-	(458,058)	-
Depreciation - unallocated	875,141	-	-	-	(875,141)	-	(875,141)	-
Total Governmental Activities	18,573,727	4,075,185	2,873,580	1,795,016	(9,829,946)	-	(9,829,946)	-
Business Type Activities:								
Water supply and sewage disposal	5,449,460	5,680,134	-	-	-	230,674	230,674	-
Stormwater utility	692,413	660,058	536	-	-	(31,819)	(31,819)	-
Marina	416,614	252,099	-	-	-	(164,515)	(164,515)	-
Intermodal transportation terminal	173,272	145,992	-	-	-	(27,280)	(27,280)	-
Total Business Type Activities	6,731,759	6,738,283	536	-	-	7,060	7,060	-
TOTAL PRIMARY GOVERNMENT	\$ 25,305,486	\$ 10,813,468	\$ 2,874,116	\$ 1,795,016	(9,829,946)	7,060	(9,822,886)	-
Component Units:								
Board of Light and Power	21,702,443	23,778,825	-	554,247	-	-	-	2,630,629
Public Library	1,988,837	222,011	455,213	-	-	-	-	(1,311,613)
Downtown Development Authority	289,870	91,765	55,540	-	-	-	-	(142,565)
TOTAL COMPONENT UNITS	\$ 23,981,150	\$ 24,092,601	\$ 510,753	\$ 554,247	-	-	-	1,176,451
General Revenues:								
Taxes:								
Property taxes					5,955,861	-	5,955,861	1,196,165
Payment in lieu of taxes					2,027,879	-	2,027,879	-
Unrestricted State sources					2,264,254	-	2,264,254	-
Change in value of investment in joint venture					286,882	(2,105)	284,777	-
Interest and investment earnings					(97,837)	263,458	165,621	519,052
Miscellaneous					141,567	-	141,567	33,612
Transfers					(228,117)	228,117	-	-
Extraordinary item - Flood Costs					(10,467)	-	(10,467)	-
TOTAL GENERAL REVENUES, TRANSFERS, AND EXTRAORDINARY ITEMS					10,340,022	489,470	10,829,492	1,748,829
CHANGE IN NET ASSETS					510,076	496,530	1,006,606	2,925,280
Net assets, beginning of year					24,904,433	38,175,065	63,079,498	47,360,057
NET ASSETS, END OF YEAR					\$ 25,414,509	\$ 38,671,595	\$ 64,086,104	\$ 50,285,337

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

	General Fund	Major Street and Trunkline Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,891,854	\$ -	\$ -	\$ 2,812,342	\$ 582,706	\$ 5,286,902
Investments	429,323	-	-	-	-	429,323
Taxes receivable, net	6,511,476	-	-	-	-	6,511,476
Special assessments receivable	145,776	-	-	-	-	145,776
Accounts receivable, net	99,105	-	-	344,526	17,680	461,311
Due from other authorities	1,390,375	-	-	-	-	1,390,375
Due from component units	117,442	-	-	-	-	117,442
Due from other funds	476,328	-	-	-	48,113	524,441
Due from other governments	315,089	176,963	60,545	114,873	212,600	880,070
Inventory	131,436	-	-	-	-	131,436
Advances to component units	29,158	-	-	-	-	29,158
Prepaid expenditures	54,069	-	-	-	-	54,069
Long-term receivables	38,703	-	-	-	-	38,703
Other assets	-	-	-	-	648	648
<b>TOTAL ASSETS</b>	<b>\$ 11,630,134</b>	<b>\$ 176,963</b>	<b>\$ 60,545</b>	<b>\$ 3,271,741</b>	<b>\$ 861,747</b>	<b>\$ 16,001,130</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 31,466	\$ 31,466
Accounts payable	191,622	6,251	495	235,464	51,144	484,976
Accrued sick and vacation	677,983	-	-	-	-	677,983
Due to other funds	48,113	-	60,050	-	70,906	179,069
Due to component units	38,703	-	-	-	-	38,703
Due to other local units	4,503	-	-	-	-	4,503
Deferred revenue	6,633,755	-	-	-	150	6,633,905
<b>TOTAL LIABILITIES</b>	<b>7,594,679</b>	<b>6,251</b>	<b>60,545</b>	<b>235,464</b>	<b>153,666</b>	<b>8,050,605</b>
<b>FUND BALANCE:</b>						
Reserved for:						
Capital outlay	-	-	-	3,036,277	25,036	3,061,313
Encumbrances	950,049	-	-	-	-	950,049
Other	427,843	-	-	-	515,573	943,416
Unreserved, reported in:						
General Fund	2,657,563	-	-	-	-	2,657,563
Special Revenue Funds	-	170,712	-	-	167,472	338,184
<b>TOTAL FUND BALANCE</b>	<b>4,035,455</b>	<b>170,712</b>	<b>-</b>	<b>3,036,277</b>	<b>708,081</b>	<b>7,950,525</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 11,630,134</b>	<b>\$ 176,963</b>	<b>\$ 60,545</b>	<b>\$ 3,271,741</b>	<b>\$ 861,747</b>	<b>\$ 16,001,130</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2004

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 7,950,525</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds).	29,724,011
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Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Current assets	\$ 365,444	
Restricted assets	964,623	
Long-term receivables	28,749	
Current liabilities	<u>(237,715)</u>	
		1,121,101

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 730,158	
Current portion of notes and contracts payable	143,979	
Accrued interest on bonds	195,810	
Compensated absences	978,809	
Bonds payable	9,795,791	
Long-term contracts and notes payable	<u>1,536,581</u>	
		(13,381,128)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 25,414,509</u></b>
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The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	<b>General Fund</b>	<b>Major Street and Trunkline Fund</b>	<b>Local Street Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>						
Taxes and penalties	\$ 5,955,861	\$ -	\$ -	\$ -	\$ -	\$ 5,955,861
State sources	2,378,660	1,464,257	575,373	-	573,042	4,991,332
Federal sources	21,620	-	-	1,130,984	-	1,152,604
Charges for services	3,081,793	-	-	-	23,296	3,105,089
Sales	19,264	-	-	-	157,072	176,336
Use and admission fees	182,048	-	-	-	314,371	496,419
Rentals	41,664	-	-	-	82,152	123,816
Licenses and permits	18,543	-	-	-	-	18,543
Fines and forfeiture	136,538	-	-	-	-	136,538
Sale of assets	3,743	-	-	-	-	3,743
Reimbursements	20,433	-	-	-	-	20,433
Investment income	(128,669)	-	-	20,252	10,580	(97,837)
Payment in lieu of taxes	2,027,879	-	-	-	-	2,027,879
Private contribution	21,500	-	-	563,706	-	585,206
Intergovernmental revenue	156,009	-	-	-	-	156,009
Special assessments	66,143	-	-	-	-	66,143
Other	69,711	-	-	-	47,680	117,391
<b>TOTAL REVENUES</b>	<b>14,072,740</b>	<b>1,464,257</b>	<b>575,373</b>	<b>1,714,942</b>	<b>1,208,193</b>	<b>19,035,505</b>
<b>EXPENDITURES:</b>						
Current operations:						
General government	3,633,775	-	-	-	100	3,633,875
Public health and safety	4,493,038	-	-	-	7,751	4,500,789
Public works	2,709,344	-	-	-	-	2,709,344
Highway and streets	-	1,165,958	1,164,753	-	-	2,330,711
Social services	329,804	-	-	-	510,879	840,683
Sanitation	1,144,322	-	-	-	-	1,144,322
Recreation and culture	360,310	-	-	-	799,339	1,159,649
Special assessments	24,847	-	-	-	-	24,847
Capital outlay	-	-	274	3,186,518	-	3,186,792
Debt service						
Principal retirement	72,229	266,355	28,645	-	260,000	627,229
Interest and fiscal charges	30,558	75,896	8,162	-	247,616	362,232
<b>TOTAL EXPENDITURES</b>	<b>12,798,227</b>	<b>1,508,209</b>	<b>1,201,834</b>	<b>3,186,518</b>	<b>1,825,685</b>	<b>20,520,473</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,274,513</b>	<b>(43,952)</b>	<b>(626,461)</b>	<b>(1,471,576)</b>	<b>(617,492)</b>	<b>(1,484,968)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond and loan proceeds	-	-	-	5,178,100	-	5,178,100
Transfers in	547,716	744,620	682,874	318,570	765,339	3,059,119
Transfers (out)	(1,482,888)	(529,956)	(56,413)	(820,291)	(17,760)	(2,907,308)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(935,172)</b>	<b>214,664</b>	<b>626,461</b>	<b>4,676,379</b>	<b>747,579</b>	<b>5,329,911</b>
<b>EXTRAORDINARY ITEM:</b>						
Flood costs	-	-	-	(168,526)	-	(168,526)
<b>CHANGE IN FUND BALANCE</b>	<b>339,341</b>	<b>170,712</b>	<b>-</b>	<b>3,036,277</b>	<b>130,087</b>	<b>3,676,417</b>
Fund balance, beginning of year	3,696,114	-	-	-	577,994	4,274,108
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,035,455</b>	<b>\$ 170,712</b>	<b>\$ -</b>	<b>\$ 3,036,277</b>	<b>\$ 708,081</b>	<b>\$ 7,950,525</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,676,417

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Includes Internal Service Funds depreciation expense of \$775,540.

Capital outlays	\$ 3,071,989	
Depreciation expense	<u>(1,650,681)</u>	
		1,421,308

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets. (583,142)

Investments in joint ventures is reported on entity wide statements but not in individual governmental funds. Changes in value of investments in joint ventures does not appear in governmental funds. 286,882

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (5,178,100)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 627,229

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (95,826)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (10,097)

Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net assets	(410,135)	
Depreciation expense	<u>775,540</u>	
		365,405

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 510,076

The accompanying notes are an integral part of these financial statements.



**City of Marquette, Michigan**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES:</b>				
Property taxes	\$ 5,961,200	\$ 5,961,200	\$ 5,955,861	\$ (5,339)
Federal grants	151,600	147,600	21,620	(125,980)
State grants and shared revenues	2,615,661	2,619,661	2,378,660	(241,001)
Intergovernmental revenues	166,400	157,400	156,009	(1,391)
Licenses and permits	15,400	15,500	18,543	3,043
Charges for services	3,084,308	3,126,708	3,081,793	(44,915)
Fines and forfeits	125,850	125,850	136,538	10,688
Interest and rentals	399,800	377,000	(87,005)	(464,005)
Other revenues	2,508,001	2,498,764	2,410,721	(88,043)
<b>TOTAL REVENUES</b>	<b>15,028,220</b>	<b>15,029,683</b>	<b>14,072,740</b>	<b>(956,943)</b>
<b>EXPENDITURES:</b>				
General government	3,118,085	3,419,968	3,633,775	(213,807)
Public health and safety	4,430,652	4,557,452	4,493,038	64,414
Public works	3,883,502	2,812,193	2,709,344	102,849
Sanitation	-	1,144,803	1,144,322	481
Social services	350,584	350,584	329,804	20,780
Recreation and culture	430,216	427,679	360,310	67,369
Special assessments	-	25,108	24,847	261
Debt service	102,824	102,824	102,787	37
<b>TOTAL EXPENDITURES</b>	<b>12,315,863</b>	<b>12,840,611</b>	<b>12,798,227</b>	<b>42,384</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,712,357</b>	<b>2,189,072</b>	<b>1,274,513</b>	<b>(914,559)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	1,822,000	1,822,000	-	(1,822,000)
Transfers in	24,000	24,000	547,716	523,716
Transfers (out)	(4,558,357)	(4,195,807)	(1,482,888)	2,712,919
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,712,357)</b>	<b>(2,349,807)</b>	<b>(935,172)</b>	<b>1,414,635</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(160,735)</b>	<b>339,341</b>	<b>500,076</b>
Fund balance, beginning of year	3,696,114	3,696,114	3,696,114	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,696,114</b>	<b>\$ 3,535,379</b>	<b>\$ 4,035,455</b>	<b>\$ 500,076</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**MAJOR SPECIAL REVENUE FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES:</b>								
Federal and State sources	\$1,053,385	\$ 1,069,385	\$ 1,464,257	\$ 394,872	\$ 412,000	\$ 472,000	\$ 575,373	\$ 103,373
<b>TOTAL REVENUES</b>	<u>1,053,385</u>	<u>1,069,385</u>	<u>1,464,257</u>	<u>394,872</u>	<u>412,000</u>	<u>472,000</u>	<u>575,373</u>	<u>103,373</u>
<b>EXPENDITURES:</b>								
Highways, Streets and Bridges	939,774	1,298,027	1,165,958	132,069	1,122,842	1,259,649	1,165,027	94,622
Debt Service	342,253	342,253	342,251	2	36,807	36,807	36,807	-
<b>TOTAL EXPENDITURES</b>	<u>1,282,027</u>	<u>1,640,280</u>	<u>1,508,209</u>	<u>132,071</u>	<u>1,159,649</u>	<u>1,296,456</u>	<u>1,201,834</u>	<u>94,622</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(228,642)</u>	<u>(570,895)</u>	<u>(43,952)</u>	<u>526,943</u>	<u>(747,649)</u>	<u>(824,456)</u>	<u>(626,461)</u>	<u>197,995</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Bond and loan proceeds	160,000	160,000	-	(160,000)	1,244,000	1,244,000	-	(1,244,000)
Transfers in	1,026,305	1,026,305	744,620	(281,685)	784,456	824,456	682,874	(141,582)
Transfers (out)	(957,663)	(615,410)	(529,956)	85,454	(1,280,807)	(1,244,000)	(56,413)	1,187,587
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>228,642</u>	<u>570,895</u>	<u>214,664</u>	<u>(356,231)</u>	<u>747,649</u>	<u>824,456</u>	<u>626,461</u>	<u>(197,995)</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	170,712	170,712	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,712</u>	<u>\$ 170,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## City of Marquette, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

June 30, 2004

	Business- Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 5,070,975	\$ 1,277,299	\$ -	\$ 6,348,274	\$ 338,003
Special assessments receivable	124,638	-	-	124,638	-
Accounts receivable, net	911,135	60,145	-	971,280	9,489
Due from local units	-	-	-	-	2,228
Due from other governments	3,078,861	-	-	3,078,861	-
Inventory	134,157	-	19,141	153,298	13,000
Prepaid expenses	3,525	234	461	4,220	2,724
Customer deposits	23,368	-	-	23,368	-
Delinquent utility bills on taxes	5,618	-	-	5,618	-
Unamortized bond issuance costs	123,238	59,520	8,886	191,644	-
<b>TOTAL CURRENT ASSETS</b>	<b>9,475,515</b>	<b>1,397,198</b>	<b>28,488</b>	<b>10,901,201</b>	<b>365,444</b>
Noncurrent Assets:					
Restricted Assets:					
Bond reserve fund	2,323	250,573	277,396	530,292	-
Replacement and maintenance fund	390,000	-	-	390,000	845,171
Bond and interest redemption fund	25,227	-	48,616	73,843	-
Water filtration reserve	1,093,655	-	-	1,093,655	-
Bond escrow fund	334,141	38,257	-	372,398	-
Vacation, sick leave and benefit reserve	149,928	3,538	-	153,466	119,452
<b>Total Restricted Assets</b>	<b>1,995,274</b>	<b>292,368</b>	<b>326,012</b>	<b>2,613,654</b>	<b>964,623</b>
Long-term receivables	-	-	-	-	28,749
Land and land improvements	-	-	102,500	102,500	251,454
Property, plant, and equipment	39,487,575	4,718,768	5,714,223	49,920,566	15,138,837
Accumulated depreciation	(11,238,528)	(805,595)	(1,895,838)	(13,939,961)	(7,738,536)
Other noncurrent assets	2,909,394	-	-	2,909,394	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>33,153,715</b>	<b>4,205,541</b>	<b>4,246,897</b>	<b>41,606,153</b>	<b>8,645,127</b>
<b>TOTAL ASSETS</b>	<b>42,629,230</b>	<b>5,602,739</b>	<b>4,275,385</b>	<b>52,507,354</b>	<b>9,010,571</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Cash overdraft	-	-	12,498	12,498	-
Accounts payable	654,540	496	14,078	669,114	118,263
Accrued sick and vacation	149,928	3,538	-	153,466	119,452
Due to other funds	-	-	345,372	345,372	-
Due to other local units	-	-	138,833	138,833	-
Customer deposits payable	23,368	-	7,641	31,009	-
Accrued interest payable	33,815	7,049	5,283	46,147	-
Current portion of long-term debt	135,507	215,000	75,000	425,507	-
Deferred revenue	124,638	-	-	124,638	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,121,796</b>	<b>226,083</b>	<b>598,705</b>	<b>1,946,584</b>	<b>237,715</b>
Current Liabilities (payable from restricted assets):					
Current liabilities payable from restricted assets	620,000	-	-	620,000	-
Noncurrent Liabilities:					
Bonds payable	5,500,000	1,295,000	670,000	7,465,000	-
Notes payable	131,573	-	-	131,573	-
Loan payable	3,470,000	-	-	3,470,000	-
Capital lease obligations	483,464	-	-	483,464	-
Premium on refunding	64,055	-	-	64,055	-
Deferred amounts on refunding	(311,114)	-	(33,803)	(344,917)	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,337,978</b>	<b>1,295,000</b>	<b>636,197</b>	<b>11,269,175</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>11,079,774</b>	<b>1,521,083</b>	<b>1,234,902</b>	<b>13,835,759</b>	<b>237,715</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	21,979,056	2,403,173	3,175,884	27,558,113	7,651,756
Net Assets:					
Restricted for debt service	1,845,346	288,830	-	2,134,176	-
Unrestricted	7,725,054	1,389,653	(135,401)	8,979,306	1,121,100
<b>TOTAL NET ASSETS</b>	<b>\$ 31,549,456</b>	<b>\$ 4,081,656</b>	<b>\$ 3,040,483</b>	<b>\$ 38,671,595</b>	<b>\$ 8,772,856</b>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004

	Business- Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES:</b>					
Water sales	\$ 3,284,840	\$ -	\$ -	\$ 3,284,840	\$ -
Sewage disposal	2,250,807	-	-	2,250,807	-
Charges for services	-	660,058	146,264	806,322	2,431,291
Other operating revenue	144,487	-	251,827	396,314	39,987
<b>TOTAL OPERATING REVENUES</b>	<b>5,680,134</b>	<b>660,058</b>	<b>398,091</b>	<b>6,738,283</b>	<b>2,471,278</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	1,097,897	-	381,194	1,479,091	854,681
Water treatment and distribution	1,092,232	-	-	1,092,232	-
Sanitary sewer operation and booster stations	1,552,136	-	-	1,552,136	-
Stormwater	-	450,127	-	450,127	-
Payments in lieu of taxes	658,340	-	-	658,340	-
Depreciation	754,651	158,443	173,612	1,086,706	775,540
Vehicle operating expenses	-	-	-	-	920,020
<b>TOTAL OPERATING EXPENSES</b>	<b>5,155,256</b>	<b>608,570</b>	<b>554,806</b>	<b>6,318,632</b>	<b>2,550,241</b>
<b>OPERATING INCOME (LOSS)</b>	<b>524,878</b>	<b>51,488</b>	<b>(156,715)</b>	<b>419,651</b>	<b>(78,963)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	205,287	55,991	2,180	263,458	22,378
Interest expense	(294,204)	(83,843)	(35,080)	(413,127)	-
Sale of fixed assets	-	-	-	-	26,378
State and Federal grants	-	536	-	536	-
Operating income from Marquette Area Wastewater Treatment Facility	(2,105)	-	-	(2,105)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(91,022)</b>	<b>(27,316)</b>	<b>(32,900)</b>	<b>(151,238)</b>	<b>48,756</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>433,856</b>	<b>24,172</b>	<b>(189,615)</b>	<b>268,413</b>	<b>(30,207)</b>
Transfers in	-	75,671	152,446	228,117	-
Transfers (out)	-	-	-	-	(379,928)
<b>CHANGE IN NET ASSETS</b>	<b>433,856</b>	<b>99,843</b>	<b>(37,169)</b>	<b>496,530</b>	<b>(410,135)</b>
Net assets, beginning of year	31,115,600	3,981,813	3,077,652	38,175,065	9,182,991
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 31,549,456</b>	<b>\$ 4,081,656</b>	<b>\$ 3,040,483</b>	<b>\$ 38,671,595</b>	<b>\$ 8,772,856</b>

The accompanying notes are an integral part of these financial statements.

## City of Marquette, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from fees and charges for services	\$ 5,611,335	\$ 594,917	\$ 395,985	\$ 6,602,237	\$ 2,428,749
Other operating revenues	141,214	-	2,106	143,320	39,987
Cash payments to employees for services	(1,198,657)	(183,448)	(97,035)	(1,479,140)	(577,015)
Cash payments to suppliers for goods and services	(2,746,321)	(212,242)	(299,234)	(3,257,797)	(1,567,788)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,807,571</b>	<b>199,227</b>	<b>1,822</b>	<b>2,008,620</b>	<b>323,933</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in (out)	-	75,671	152,446	228,117	(379,928)
State and Federal grants	-	536	-	536	-
(Decrease) in due to local units	(99,130)	-	(52,234)	(151,364)	-
(Increase) in due from local units	(3,078,861)	-	-	(3,078,861)	(2,034)
Increase in due to other funds	-	-	35,356	35,356	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(3,177,991)</b>	<b>76,207</b>	<b>135,568</b>	<b>(2,966,216)</b>	<b>(381,962)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash payments for capital assets	(2,383,791)	(743,841)	(9,000)	(3,136,632)	(1,318,468)
Proceeds from sale of capital assets	-	-	-	-	26,378
Bond issue costs on refunding	(130,133)	-	(9,201)	(139,334)	-
Deferred amounts on refunding	(185,000)	-	(35,000)	(220,000)	-
Proceeds on refunding bonds and loans	9,667,639	-	690,000	10,357,639	-
Payments received on notes receivable	-	-	-	-	10,536
Interest paid on bonds	(277,679)	(84,591)	(33,883)	(396,153)	-
Principal payments on bonds and other long-term debt	(6,490,767)	(205,000)	(710,000)	(7,405,767)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>200,269</b>	<b>(1,033,432)</b>	<b>(107,084)</b>	<b>(940,247)</b>	<b>(1,281,554)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	205,287	55,991	2,180	263,458	22,378
(Increase) decrease in restricted assets:					
Bond reserve fund	149,505	12,736	-	162,241	-
Bond interest redemption fund	(163)	-	-	(163)	-
Water filtration revenue	29,284	-	-	29,284	-
Bond escrow fund	(49,505)	(86)	-	(49,591)	-
Equipment reserve	-	-	-	-	(6,965)
Vacation and sick leave reserve	(16,179)	(949)	-	(17,128)	474
Marina bonds	-	-	(50,911)	(50,911)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>318,229</b>	<b>67,692</b>	<b>(48,731)</b>	<b>337,190</b>	<b>15,887</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(851,922)</b>	<b>(690,306)</b>	<b>(18,425)</b>	<b>(1,560,653)</b>	<b>(1,323,696)</b>
Cash and cash equivalents, beginning of year	5,922,897	1,967,605	5,927	7,896,429	1,661,699
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,070,975</b>	<b>\$ 1,277,299</b>	<b>\$ (12,498)</b>	<b>\$ 6,335,776</b>	<b>\$ 338,003</b>
<b>Noncash Investing, Capital and Financing Activities:</b>					
Net appreciation in fair value of investments	\$ 15,522	\$ 6,751	\$ -	\$ 22,273	\$ -
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 524,878	\$ 51,488	\$ (156,715)	\$ 419,651	\$ (78,963)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	754,651	158,443	173,612	1,086,706	775,540
Amortization	15,269	7,703	315	23,287	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	68,164	(7,391)	-	60,773	(2,542)
Decrease in special assessments receivable	19,992	-	-	19,992	-
(Increase) in inventory	(7,386)	-	(4,003)	(11,389)	(74)
Decrease in delinquent utility bills on taxes	4,251	-	-	4,251	-
(Increase) in prepaid expenses	(837)	(28)	(77)	(942)	(356)
Increase (decrease) in deposits	(278)	-	445	167	-
Increase (decrease) in accounts payable	450,360	(11,937)	(9,955)	428,468	(369,198)
Increase (decrease) in accrued sick and vacation	16,179	949	-	17,128	(474)
(Decrease) in accrued interest	(17,680)	-	(1,800)	(19,480)	-
(Decrease) in deferred revenue	(19,992)	-	-	(19,992)	-
<b>NET ADJUSTMENTS</b>	<b>1,282,693</b>	<b>147,739</b>	<b>158,537</b>	<b>1,588,969</b>	<b>402,896</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,807,571</b>	<b>\$ 199,227</b>	<b>\$ 1,822</b>	<b>\$ 2,008,620</b>	<b>\$ 323,933</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2004

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 375,820	\$ 485,709	\$ 1,585,176
Investments	-	24,407,848	-
Accounts receivable	-	-	1,254
Taxes receivable	-	-	78,995
Accrued interest receivable	-	101,038	-
	<u>375,820</u>	<u>24,994,595</u>	<u>\$ 1,665,425</u>
<b>TOTAL ASSETS</b>			
	<u>375,820</u>	<u>24,994,595</u>	<u>\$ 1,665,425</u>
<b>LIABILITIES</b>			
Accounts payable	37,465	160	\$ 868
Contract retainage payable	-	-	194,753
Accrued wages and related liabilities	-	-	1,077,928
Due to other governments	-	-	18,995
Due to State	-	-	14,177
Due to local units	-	-	358,009
Other liabilities	-	-	695
	<u>37,465</u>	<u>160</u>	<u>\$ 1,665,425</u>
<b>TOTAL LIABILITIES</b>			
	<u>37,465</u>	<u>160</u>	<u>\$ 1,665,425</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	-	24,994,435	
Held in trust for individuals, organizations, and other governments	<u>338,355</u>	<u>-</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 338,355</u>	<u>\$ 24,994,435</u>	

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the Fiscal Year Ended June 30, 2004

	<b>Private- Purpose Trust Funds</b>	<b>Pension Trust Funds</b>
<b>ADDITIONS:</b>		
Contributions:		
Employee	\$ -	\$ 130,190
Gifts, bequests and endowments	<u>265,727</u>	<u>-</u>
Total Contributions	<u>265,727</u>	<u>130,190</u>
Investment income:		
Net appreciation in fair value of investments	-	1,327,438
Interest and dividends	-	592,642
Investment expense	<u>-</u>	<u>(87,637)</u>
Net Investment Income (Loss)	<u>-</u>	<u>1,832,443</u>
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<u>265,727</u>	<u>1,962,633</u>
<b>DEDUCTIONS:</b>		
Benefits and annuity withdrawals	-	1,235,591
Administrative expenses	-	15,110
Payments in accordance with trust agreements	<u>441,527</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>441,527</u>	<u>1,250,701</u>
<b>CHANGE IN NET ASSETS</b>	(175,800)	711,932
Net assets, beginning of year	<u>514,155</u>	<u>24,282,503</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 338,355</u></u>	<u><u>\$ 24,994,435</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

	Board of Light and Power	Peter White Public Library	Nonmajor Component Unit Downtown Development Authority	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 7,535,778	\$ 651,106	\$ 823,791	\$ 9,010,675
Investments	6,984,556	1,163,765	-	8,148,321
Receivables, net	1,033,410	1,022,701	248,821	2,304,932
Internal balances	-	-	(107,897)	(107,897)
Inventory	1,597,746	-	-	1,597,746
Prepaid expenses and other assets	66,735	13,863	-	80,598
<b>TOTAL CURRENT ASSETS</b>	<b>17,218,225</b>	<b>2,851,435</b>	<b>964,715</b>	<b>21,034,375</b>
Noncurrent Assets:				
Restricted Assets	6,170,741	-	-	6,170,741
Unamortized bond issuance costs	106,656	-	-	106,656
Investment in UPPPA	1,648,112	-	-	1,648,112
Capital assets:				
Land	1,119,971	114,704	-	1,234,675
Other capital assets	110,225,728	11,080,564	1,182,915	122,489,207
Accumulated depreciation	(70,558,762)	(3,663,914)	(105,206)	(74,327,882)
<b>Total Capital Assets</b>	<b>40,786,937</b>	<b>7,531,354</b>	<b>1,077,709</b>	<b>49,396,000</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>48,712,446</b>	<b>7,531,354</b>	<b>1,077,709</b>	<b>57,321,509</b>
<b>TOTAL ASSETS</b>	<b>65,930,671</b>	<b>10,382,789</b>	<b>2,042,424</b>	<b>78,355,884</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,345,395	26,072	347,525	1,718,992
Accrued liabilities	124,129	-	2,633	126,762
Deferred revenue	-	1,022,288	280,063	1,302,351
Compensated absences	833,609	-	-	833,609
Current portion of bonds payable	-	385,000	71,429	456,429
Current portion of notes and contracts payable	-	-	11,073	11,073
Other current liabilities	1,318,771	-	-	1,318,771
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,621,904</b>	<b>1,433,360</b>	<b>712,723</b>	<b>5,767,987</b>
Current Liabilities (payable from restricted assets):				
Current maturities on revenue bonds	3,705,000	-	-	3,705,000
Revenue bond accrued interest payable	254,932	-	-	254,932
<b>TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>	<b>3,959,932</b>	<b>-</b>	<b>-</b>	<b>3,959,932</b>
Noncurrent Liabilities:				
Compensated absences	-	75,887	-	75,887
Bonds payable	11,900,075	4,195,000	285,714	16,380,789
Notes payable	-	-	17,676	17,676
Other	1,868,276	-	-	1,868,276
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>13,768,351</b>	<b>4,270,887</b>	<b>303,390</b>	<b>18,342,628</b>
<b>TOTAL LIABILITIES</b>	<b>21,350,187</b>	<b>5,704,247</b>	<b>1,016,113</b>	<b>28,070,547</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	28,886,862	2,951,354	691,817	32,530,033
Restricted:				
Debt Service	-	668,981	-	668,981
Other activities	2,210,809	739,604	-	2,950,413
Unrestricted	13,482,813	318,603	334,494	14,135,910
<b>TOTAL NET ASSETS</b>	<b>\$ 44,580,484</b>	<b>\$ 4,678,542</b>	<b>\$ 1,026,311</b>	<b>\$ 50,285,337</b>

The accompanying notes are an integral part of these financial statements.



City of Marquette, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Power and Light	Peter White Public Library	Downtown Development Authority	Total
Board of Light and Power Operations	\$ 21,702,443	\$ 23,778,825	\$ -	\$ 554,247	\$ 2,630,629	\$ -	\$ -	2,630,629
Peter White Public Library Recreation and culture	1,988,837	222,011	455,213	-	-	(1,311,613)	-	(1,311,613)
Downtown Development Authority Operations	289,870	91,765	55,540	-	-	-	(142,565)	(142,565)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 23,981,150</b>	<b>\$ 24,092,601</b>	<b>\$ 510,753</b>	<b>\$ 554,247</b>	<b>2,630,629</b>	<b>(1,311,613)</b>	<b>(142,565)</b>	<b>1,176,451</b>
General Revenues:								
Property taxes					-	957,892	238,273	1,196,165
Interest and investment earnings					426,681	86,031	6,340	519,052
Miscellaneous					29,676	2,938	998	33,612
<b>TOTAL GENERAL REVENUES</b>					<b>456,357</b>	<b>1,046,861</b>	<b>245,611</b>	<b>1,748,829</b>
<b>CHANGE IN NET ASSETS</b>					<b>3,086,986</b>	<b>(264,752)</b>	<b>103,046</b>	<b>2,925,280</b>
Net assets, beginning of year					41,493,498	4,943,294	923,265	47,360,057
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 44,580,484</b>	<b>\$ 4,678,542</b>	<b>\$ 1,026,311</b>	<b>\$ 50,285,337</b>

The accompanying notes are an integral part of these financial statements.

## City of Marquette, Michigan

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Marquette, Michigan was incorporated February 27, 1871, under the provision of Act 279, PS 1909, as amended (Home Rule City Act) . The City operates under a Commissioner - Manager form of government and the services provided to the citizens include: legislative, executive, elections, general services, public safety and fire protection, inspection, public works, sanitation, parking systems, social services, parks and recreation, cultural, conservation of natural resources, planning and other functions. In addition, the City operates four enterprise funds and two internal service funds, which provide water and sewer services, marina services, stormwater management, transportation acquisition and maintenance, transportation rental and building rental.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the City are described below.

#### (1) REPORTING ENTITY

The City's financial statements present the City (the primary government) and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement #14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year-end.

***Fire and Police Retirement System*** - The City of Marquette is the administrator of a single-employer public employee retirement system established and administered by the City to provide

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

pension benefits for the Fire and Police Department employees. The Fire and Police Retirement System is considered part of the City of Marquette financial reporting entity and is included in the City's financial report as a pension trust fund.

### **BLENDED COMPONENT UNITS**

***City of Marquette Building Authority*** - The City of Marquette Building Authority's governing body consists of the City Manager, Finance Director and City Attorney which are appointed by the governing board of the reporting entity. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The reporting entity has guaranteed the debt issues of the Authority.

### **DISCRETELY PRESENTED COMPONENT UNITS**

#### **Proprietary Fund Type**

***City of Marquette Board of Light and Power*** - The Board of Light and Power's operating results are held accountable to the government's governing body. The rates for user charges and debt issuance authorizations are approved by the government's governing body. The reporting entity has the responsibility to fund deficits and operating deficiencies. Prior to 1993-94, this entity had been blended with and included in the City's reporting entity as an enterprise fund.

A complete financial statement of the component unit can be obtained directly from the administrative office.

City of Marquette Board of Light and Power  
2200 Wright Street  
Marquette, MI 49855

#### **Governmental Fund Type**

***City of Marquette Downtown Development Authority*** - The Downtown Development Authority's governing board is appointed by the City's Mayor with the confirmation of the Commission and includes the City Manager of the reporting entity. The reporting entity has the responsibility to fund deficits and operating deficiencies, as well as a guarantee for any debt the Authority issues.

Separate financial statements for the City of Marquette Downtown Development Authority are not developed; however, information can be obtained from the City's Finance Department upon request, located at 300 West Baraga Avenue, Marquette, Michigan 49855.

***Peter White Public Library*** - The Peter White Public Library's governing body is appointed by the City's Mayor with the confirmation of the Commission. The reporting entity has the responsibility to fund deficits and operating deficiencies.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Separately issued financial statements of the Peter White Public Library component unit can be obtained from the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

GASB Statement #14 requires reasonable separation between the Primary Government (including its blended component units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

### **JOINT VENTURES**

As defined in GASB Statement #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint ventures:

***Marquette Area Wastewater Treatment Facility*** - The Marquette Area Wastewater Treatment Facility's governing board includes joint representation as appointed by the participating governments' governing bodies. As enumerated in Footnote D, the facility is being accounted for as an equity investment within the reporting entity.

***Marquette County Solid Waste Management Authority*** - The Marquette County Solid Waste Management Authority's governing board includes joint representation as appointed by the participating governments' governing bodies. The reporting entity's representation consists of two of seven members and does not constitute enough representation to exert significant influence over the Authority's operations. The Authority selects management staff, sets user charges, budgets and controls all aspects of its operations and developments. The reporting entity provided its proportionate share of the initial funding and has guaranteed its proportional share of the Authority's outstanding debt.

### **(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, sanitation, social services, recreation and culture, and general administrative services are classified as governmental activities. The City's water, sewer, stormwater, transportation center, and marina services are classified as business-type activities.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The City allocates indirect costs through an administrative service fee that is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### **(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

***General Fund*** - General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

***Special Revenue Funds*** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

***Debt Service Funds*** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

***Capital Projects Funds*** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

***Component Units*** - Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

***Enterprise Funds*** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Internal Service Funds*** - Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

***Component Units*** - Component units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street and Trunkline Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.

The **Construction Fund** accounts for the development, improvement and rehabilitation of City infrastructure.

The City reports the following major proprietary funds:

The **Water Supply and Sewage Disposal Fund** accounts for the activities related to water treatment and distribution, sanitary sewer operation and booster stations, and billing for services.

The **Stormwater Utility Fund** accounts for the management of stormwater related activities including billing, maintenance and construction.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. The Special Activities Private-Purpose Trust Fund is used to account for the contributions from private sources restricted for special projects. The Fire-Police Retirement System Fund is used to account for the accumulation of resources to be used for the retirement annuity payments at appropriate amounts and times in the future. The Agency Fund is used to record the collection and payment of property taxes billed and collected by the City on behalf of the County, the School Districts, and the Intermediate School District.

### **(4) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds, private-purpose trust funds, and pension trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled electric, water, and sewer services are accrued as revenue in the Component Unit and Water Supply and Sewage Disposal Funds based upon estimated consumption at year-end.

### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

## **(5) FINANCIAL STATEMENT AMOUNTS**

***Budgets and Budgetary Accounting*** - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.



**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

3. No later than the third Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the basic financial statements. Any transfers of appropriation between functions must be approved by the City Commission. All unexpended appropriations lapse at fiscal year-end.
5. Formal budgetary integration is employed as a management control device for the General Fund, all Special Revenue Funds, Debt Service Funds and Capital Project Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended two times during the fiscal year.
7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Cash Equivalents** - For the purposes of balance sheet classification and the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted assets which contain cash equivalents are included in analyzing the effect on cash and cash equivalents in the Statement of Cash Flows.

**Inventory** - Inventory is valued at cost using both the first-in, first-out (FIFO) method and the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. The cost of construction in progress includes interest costs incurred during the construction period. The amount

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

of capitalized interest is determined using the weighted average amount of accumulated expenditures multiplied by the interest rate for the obligation incurred specifically to finance the construction of the asset.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20 years
Building, structures and improvements	50 years
Equipment	5-35 years
Water and Sewage System	25-75 years
Electric System – Component Unit	5-80 years
Stormwater System	25 years
Infrastructure	20-50 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

A portion of the depreciation provision for the electric component unit is being charged to the cost of fuel for those vehicles which groom and work the coal pile.

**Long-Term Liabilities:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

***Property Taxes*** - Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

The City bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections of local school taxes, Intermediate School District taxes, and County taxes, and their remittance are accounted for in the Agency Fund.

***Worker's Compensation*** - The City's policy is to pay worker's compensation premiums as incurred. Any additional premiums or refunds resulting from experience adjustments are recorded in the year made or received, respectively.

***Comparative Data*** - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations.

***Compensated Absences*** - The City accrues accumulated unpaid vacation, sick leave, and benefit days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

***Interfund Activity*** - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

***Implementation of New Accounting Principles*** - In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (GASB No. 34)*. The City has elected to utilize the infrastructure transition option in the implementation of GASB No. 34 and will defer the retroactive reporting of the general and infrastructure reporting provisions of the Statement until the subsequent year. Current year additions to infrastructure have been included in these financial statements.

## **NOTE B – DEPOSITS AND INVESTMENTS:**

Act 196, PA 1997, authorized the City to deposit and invest in the following:

1. Bonds, securities, and other direct obligations of the United States or its agencies.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of Federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended.
3. Commercial paper rated at the time of purchases within two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
4. United States government or Federal agency obligation repurchase agreements.
5. Banker's acceptance of United States banks.
6. Mutual funds composed of investments which are legal for direct investments by Local units of government in Michigan.
7. Obligations of the State of Michigan or its political subdivisions which are rated investment grade.
8. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Act 314, PA 1965, as amended, authorizes the pension trust to invest in the following categories within certain restrictions:

1. Stocks and mutual funds up to 60% of the system's assets.
2. Investments in the general or separate account of life insurance companies.
3. Fixed income securities.
4. Investments in leased property.
5. Direct investments in property.
6. Investments in real estate loans.
7. Investments in small business or venture capital firms in Michigan.
8. Surplus funds pooled accounts.
9. Bank or trust company collective investment funds.

The City's investments are in accordance with statutory authority.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Unrestricted:				
Cash and cash equivalents	\$11,929,215	\$9,010,675	\$2,446,705	\$23,386,595
Investments	<u>429,323</u>	<u>8,148,321</u>	<u>24,407,848</u>	<u>32,985,492</u>
	<u>12,358,538</u>	<u>17,158,996</u>	<u>26,854,553</u>	<u>56,372,087</u>
Restricted:				
Cash and cash equivalents	2,361,570	3,972,741	-	6,334,311
Investments	<u>1,216,707</u>	<u>2,198,000</u>	-	<u>3,414,707</u>
	<u>3,578,277</u>	<u>6,170,741</u>	-	<u>9,749,018</u>
TOTALS	<u>\$15,936,815</u>	<u>\$23,329,737</u>	<u>\$26,854,553</u>	<u>\$66,121,105</u>

The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions was \$29,711,968 and the bank balance was \$20,092,029. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the City in its name	\$ 1,044,550
Amount collateralized with securities held by the pledging financial institutions trust department in the City's name:	
Collateralized and uninsured	<u>19,047,479</u>
	<u>\$20,092,029</u>

***Investments***

The City's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, but not in the City's name. Investments in Governmental, Proprietary, Fiduciary and Agency Funds, are carried at fair value.

**PRIMARY GOVERNMENT**

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Unrestricted Investments:				
U.S. Government Obligations	\$429,323	\$ -	\$ -	\$429,323
Restricted Investments:				
U.S. Government Obligations	<u>1,216,707</u>	-	-	<u>1,216,707</u>
Total Investments	<u>\$1,646,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,646,030</u>

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
<b>COMPONENT UNITS</b>				
Unrestricted Investments:				
U.S. Government Obligations	\$293,814	\$83,799	\$ -	\$ 377,613
Certificates of Deposit	-	-	6,900,757	6,900,757
Common Stock	445,406	-	-	445,406
Corporate Bonds	424,545	-	-	424,545
Restricted Investments:				
U.S. Government Obligations	\$ -	\$2,198,000	\$ -	\$ 2,198,000
<b>TOTAL</b>	<u>\$1,163,765</u>	<u>\$2,281,799</u>	<u>\$6,900,757</u>	<u>\$10,346,321</u>

**FIDUCIARY FUNDS**

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Unrestricted Investments:				
Pension Trust:				
U.S. Government Obligations	\$ -	\$ -	\$ 4,409,606	\$ 4,409,606
Common Stock	-	-	15,639,120	15,639,120
Corporate Bonds	-	-	4,352,385	4,352,385
G.N.M.A.	-	-	6,737	6,737
<b>Total Investments</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,407,848</u>	<u>\$24,407,848</u>

**NOTE C – RESTRICTED ASSETS - PROPRIETARY FUNDS AND COMPONENT UNIT:**

The proceeds from debt and other funds set aside for the payment of the enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures and ordinances. The major provisions of the ordinances covering the bond indentures of the component unit (Board of Light and Power) and the Water Supply and Sewage Disposal Fund are as follows:

1. **Rates** - The component unit fund only shall charge and collect rates necessary to provide net revenues sufficient to cover annual debt service not less than 1.3 times.
2. **Receiving Fund** - All system revenues will be paid into this fund, including interest income, to the extent interest income is not retained in the construction or bond reserve funds.
3. **Operation and Maintenance Fund** - Monthly transfers must be made from the Receiving Fund, which is used for initial deposit of all receipts, to the Operation and Maintenance Fund (included under current assets) to cover payment of next month's estimated operating expenses.
4. **Bond Reserve Fund** - Monthly transfers must be made to the Bond Reserve Fund in an amount equal to the maximum annual principal and interest on the revenue bonds.

**NOTE C – RESTRICTED ASSETS - PROPRIETARY FUNDS AND COMPONENT UNIT - (Continued):**

5. ***Replacement/Maintenance Fund*** - Monthly transfers are to be made as necessary, up to required levels, to make major repairs and replacements to the systems.
6. ***Bond and Interest Redemption Fund*** - Transfers will be made from the Receiving Fund in amounts sufficient to pay the current bond and interest maturities.
7. ***Bond Escrow Fund*** - Transfers were made to the Bond Escrow Fund to provide for the normal retirement, including interest, of the capitalized leases, and revenue bond issues. Transfers will be made to the Bond and Interest Redemption Fund as the obligations become due.
8. ***Vacation, Sick Leave and Benefit Days Reserve*** - Transfers will be made to the vacation and sick leave reserve to provide funding for accrued vacation, sick leave, and benefit day liabilities to be paid to employees upon retirement or termination.
9. ***Tax Payment Fund*** - Transfers will be made to the Tax Payment Fund in amounts sufficient to make payments in lieu of taxes to the City of Marquette. Transfers into this fund are subordinate to payments of the above listed funds.
10. ***Plant Replacement - Risk Retention Fund*** - Transfers will be made, as the Board determines necessary to the fund, to finance major system repairs or replacements and provide for potential claims not covered by existing insurance policies. Transfers to this fund are subordinate to transfers to the tax payment fund noted above.
11. ***Plant Improvement Fund*** - Transfers will be made to the Plant Improvement Fund as the Board deems necessary for improvements, enlargements and extensions of the system. Transfers to this fund are subordinate to transfers to the Plant Replacement Fund.
12. Transfers from the Water Supply and Sewage Disposal Fund may be made to the General Fund up to 40% of the surplus remaining at the end of the preceding fiscal year.
13. The balance of revenues remaining after the above requirements are met shall, at the option of the governing agency, be transferred to the Bond Reserve Fund for the purpose of calling bonds.

The City Charter allows the transfer to the General Fund of 50% of the preceding year's net income of public utilities. The amount of net income not transferred to the General Fund must be held in a reserve account for future capital outlay. Expenditures shall be charged to the reserve account.

**NOTE C – RESTRICTED ASSETS - PROPRIETARY FUNDS AND COMPONENT UNIT - (Continued):**

The composition of restricted asset accounts for the respective primary government enterprise and internal service funds and the respective component units are as follows:

	Water Supply And Sewage <u>Disposal Fund</u>	Marina <u>Fund</u>	Stormwater Utility <u>Fund</u>	Motor Vehicle Equipment <u>Fund</u>	Municipal Service Center <u>Fund</u>	Primary Government <u>Total</u>	Component <u>Units</u>
Cash and cash equivalents	\$1,029,140	\$326,012	\$ 41,795	\$960,237	\$4,386	\$2,361,570	\$3,972,741
Investments	<u>966,134</u>	<u>-</u>	<u>250,573</u>	<u>-</u>	<u>-</u>	<u>1,216,707</u>	<u>2,198,000</u>
	<u>\$1,995,274</u>	<u>\$326,012</u>	<u>\$292,368</u>	<u>\$960,237</u>	<u>\$4,386</u>	<u>\$3,578,277</u>	<u>\$6,170,741</u>

**NOTE D – JOINT V – INVESTMENT IN WASTEWATER PLANT:**

The City has entered into a contract with the adjacent Townships of Chocolay and Marquette through the County of Marquette to construct and operate a wastewater plant known as the Marquette Area Wastewater Treatment Facility. Under the original agreement the City owned 79.8% of the facility, the Township of Marquette owned 5.5%, and the Township of Chocolay owned 14.7%. The cost of construction amounted to approximately \$12,000,000 and was financed by Federal and State grants for 80% of the cost and \$2,500,000 general obligation bonds issued by Marquette County. The full faith and credit of the City (refer to Note E) and the two Townships have been pledged. The total investment in the Facility at June 30, 2004 by the City is \$2,909,394, including local contributions and its proportionate share of the net equity of the facility.

In the Spring of 1993, the City of Marquette and Chocolay Township each sold 2.25% of capacity to Marquette Township. The new ownership percentages are; the City of Marquette owns 77.55%, Chocolay Township owns 12.45%, and Marquette Township owns 10.00%.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method, the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

As required by Governmental Accounting Standards Board Statement # 14, the City's equity interest is shown as an asset in the Water Supply and Sewage Disposal Fund. The separately issued audited financial statements can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

A summary of condensed financial information of the Facility, in the aggregate, is as follows:

Assets	\$6,978,496
Liabilities	1,443,437
Equity	5,535,060
Revenues	1,205,987
Expenses	1,584,064
Other income	11,028



**NOTE D – JOINT V – INVESTMENT IN WASTEWATER PLANT (Continued):**

Loss from operations	(\$378,077)
City's share of net (loss)	(28,960)
City's share of capital investments	37,212

**NOTE E – CAPITALIZED LEASE OBLIGATIONS:**

The City has a lease obligation with the County of Marquette as a result of the construction of the pumping station and sanitary sewers in conjunction with the construction of the Marquette Area Wastewater Treatment Facility. Accordingly, the City's lease obligation corresponds to its share of the interest and principal payments required to retire the bond issue.

On July 28, 1998, the County of Marquette issued \$1,485,000 Marquette County Refunding Bonds Unlimited Tax Series 1998 to refund in part the Marquette County Wastewater Treatment Bonds, Series 1978. This refunding bond issue changed the City's lease obligation with the County of Marquette from 76.2% to 75.5% of the total debt resulting in a cumulative net savings of \$60,257 for the City. The advance refunding also resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$47,336. This difference, reported in the accompanying financial statements as deferred amounts on refunding, is being charged to operations through the year 2008 using the effective-interest method.

The carrying amount of the City's portion of the project at June 30, 2004 is \$600,553. The City will finance debt requirements with the revenues of the water and sewer system. Data relating to the above agreement is summarized below:

	<u>Pump Station and Sanitary Sewers</u>
Interest Rate	4.3 – 4.4%
Terms of principal maturities	December 1, 1998 to December 1, 2008

Annual maturities on the Water Supply and Sewage Disposal Fund capitalized lease obligations are as follows:

	<u>Refunded July 28, 1998 Capitalized Lease Obligations</u>
Principal and interest maturities:	
Year Ending June 30:	
2005	\$140,516
2006	139,177
2007	133,980
2008	128,783
2009	<u>123,524</u>
Minimum lease payments	665,980
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(65,427)</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b><u>\$600,553</u></b>

## NOTE F – LONG -TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2004:

	Balance <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water Supply and Sewage Disposal Fund:				
Lakeshore Park Place Note	\$ 167,447	\$ -	\$ 17,456	\$ 149,991
State Act 94 Clean Water Assistance Loan	-	3,470,000	-	3,470,000
4.3-4.4%, 1998 Refunded Capitalized Lease Obligations	713,864	-	113,311	600,553
5.85-7%, Revenue Bonds, Series 1977	450,000	-	450,000	-
6.1-9.5%, Revenue Bonds, Series 1986	240,000	-	180,000	60,000
6.0-6.9%, Revenue Bonds, Series 1989	490,000	-	490,000	-
5.0%-5.65%, Revenue Bonds, Series 1996	5,170,000	-	5,170,000	-
2.0% Revenue Bonds, Series 2004A	-	140,000	-	140,000
2.0%-4.1% Refunding Revenue Bonds	-	5,990,000	70,000	5,920,000
Marina Fund:				
4.75-5.8%, Revenue Bonds, Series 1994	765,000	-	710,000	55,000
2.0% Revenue Bonds, Series 2004A	-	690,000	-	690,000
Stormwater Utility Fund:				
4.1-5.0%, Revenue Bonds, Series 1995	<u>1,715,000</u>	<u>-</u>	<u>205,000</u>	<u>1,510,000</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$9,711,311</u></b>	<b><u>\$10,290,000</u></b>	<b><u>\$7,405,767</u></b>	<b><u>\$12,595,544</u></b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Lakeshore Park Place Note	\$ 167,508	\$ -	\$ 17,462	\$ 150,046
GEMS Installment Note	328,219	-	40,805	287,414
State Infrastructure Bank Note	-	1,243,100	-	1,243,100
2003 General Obligation Bonds	-	3,935,000	-	3,935,000
Department of Transportation Bonds	2,005,000	-	295,000	1,710,000
1998 Building Authority Refunding Bonds	4,505,000	-	160,000	4,345,000
1998 Building Authority Bonds - Lakeview Arena	545,000	-	100,000	445,000
Marquette County Solid Waste Landfill Authority Bonds, Series 1988 (Revised July 30, 1994)	104,911	-	13,962	90,949
Accrued Compensated Absences	<u>968,712</u>	<u>23,722</u>	<u>13,625</u>	<u>978,809</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$8,624,350</u></b>	<b><u>\$5,201,822</u></b>	<b><u>\$640,854</u></b>	<b><u>\$13,185,318</u></b>
<b>COMPONENT UNITS:</b>				
Board of Light and Power Electric Utility				
4.8 - 5.125% Revenue Bonds, Series 1993	\$19,187,288	\$ -	\$3,582,213	\$15,605,075
Peter White Public Library				
1997 General Obligation Bonds - Library Improvement	3,855,000	-	165,000	3,690,000
1998 Building Authority Bonds - Library	1,090,000	-	200,000	890,000
Accrued compensated absences	61,672	19,368	5,153	75,887

**NOTE F – LONG -TERM DEBT (Continued):**

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Downtown Development Authority				
Note payable - tractor	\$ 39,285	\$ -	\$ 10,536	\$ 28,749
2001 Tax Increment Bonds	<u>428,572</u>	<u>-</u>	<u>71,429</u>	<u>357,143</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$24,661,817</u></b>	<b><u>\$19,368</u></b>	<b><u>\$4,034,331</u></b>	<b><u>\$20,646,854</u></b>

The City's component Units (Board of Light and Power and Peter White Library), the Marina, Water Supply and Sewage Disposal Fund revenue bonds, general obligation bonds, and capital lease obligations outstanding are recorded in the respective Component Unit and Enterprise Fund. The Component Units' debt and the Enterprise Fund debt are expected to be repaid from proprietary revenues.

As of June 30, 2000, the City had a secured credit agreement with maximum borrowings of \$750,000 and an interest rate of 4.88% per annum for the purpose of making certain street and utility improvements along Lakeshore Boulevard in conjunction with the Lakeshore Park Place special assessment project. At June 30, 2004, the amount borrowed was \$399,926 of which \$199,926 was recorded in the Water Supply and Sewage Disposal Fund and \$200,000 was recorded as Governmental Activities long-term debt. The note will be paid off in ten consecutive and equal annual principal and interest payments on the outstanding principal amounts due each year, beginning August 5, 2001.

On April 1, 1996, the City of Marquette, Michigan issued \$6,435,000 Water Supply and Sewage Disposal System Revenue Bonds, Series 1996. The Water Supply and Sewage Disposal System Revenue Bonds were issued for the purpose of financing the cost of expanding and making certain improvements to the water supply and filtration system of the City in accordance with a resolution adopted by the City Commission of the City on March 11, 1996, pursuant to Act 94, Public Acts of Michigan, 1933, as amended.

In March of 1994, the City of Marquette, Michigan through the Michigan Municipal Bond Authority, issued \$1,000,000 Marina Development Revenue Bonds as authorized by Act 227, Public Acts of Michigan, 1985, as amended. The City of Marquette acquired, constructed and is maintaining a marina, including a fully floating pier system with wells for approximately ninety-eight boats, accessible shore power, water, telephone and cable TV service, diesel and unleaded fuel availability, a comfort station/office, a launch ramp, parking, security/decorative lighting and other equipment, accessories and facilities.

On November 1, 1995, the City of Marquette, Michigan, issued \$2,740,000 Stormwater Revenue Bonds. The Stormwater Revenue Bonds were issued for the purpose of acquiring and constructing certain stormwater utility improvements in the City in accordance with a resolution adopted by the City Commission of the City, on August 28, 1995 pursuant to Act 94, Public Acts of Michigan, 1934, as amended.

## **NOTE F – LONG -TERM DEBT (Continued):**

On April 8, 2002, the City issued \$367,859 of GEMS Installment Notes for the purpose of purchasing computer equipment and software to be used for the City's general finance operations. The notes will be paid off in eight annual principal installments beginning April 1, 2004 and ending on April 1, 2010. Interest shall be payable semi-annually beginning October 1, 2002 at a rate equal to 4.60% per annum.

On December 17, 1992, the City of Marquette, Michigan, through the Michigan Municipal Bond Authority, issued \$1,790,000 Michigan Transportation Fund Bond, Series 1992. The Michigan Transportation Bonds were issued for the purpose of making certain street improvements in the City in accordance with a resolution adopted by the City Commission of the City, on November 3, 1992, pursuant to the provisions of Act 175, Public Acts of Michigan, 1952, as amended. The Department of Transportation bonds are for the purpose of constructing roadway improvements and were used in part for the downtown renovation/construction project and in part for match purposes on a Small Cities Grant Project. The bonds will be paid by the General Fund through a transfer of monies to the Major and Local Street Funds.

On June 24, 1999, the City issued \$2,480,000 in Michigan Transportation Fund Refunding Bonds, Series 1999 with interest rates ranging from 3.5% to 4.75% to advance refund \$2,280,000 of outstanding "Michigan Transportation Fund Bonds, Series 1986" dated September 25, 1986 (the "1986 Prior Bonds"); the "Michigan Transportation Fund Bonds, Series 1989" dated August 10, 1989 (the "1989 Prior Bonds"); and the "Michigan Transportation Fund Bonds, Series 1999" 7.1%, maturing in the years 1999 through 2009. There were no net proceeds (after payment of \$200,000 in underwriting fees, insurance, and other issuance costs). As a result, the 1986, 1989, and 1992 issue bonds maturing in fiscal years 1999 through 2009 are considered to be defeased and the liability for those bonds has been removed from Governmental Activities long-term debt balance. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2004, \$1,640,000 of bonds outstanding are considered defeased.

In August of 1991, the City of Marquette, Michigan, through the Michigan Municipal Bond Authority, issued \$5,200,000 Building Authority Bonds. The City of Marquette Building Authority Municipal Obligations were issued pursuant to Act No. 31, of the Public Acts of 1948, as amended ("Act 31") for the construction of a Municipal Service Center. The Municipal Service Center houses administrative offices and employee work areas for the departments of Engineering, Public Works, Water Supply and Sewage Disposal, Parks & Recreation, and Motor Pool, provides storage and warehousing for supplies and materials, and equipment storage and maintenance areas, contains a fuel depot and provides parking areas and outside materials storage. The principal of and interest on the City of Marquette Building Authority Municipal Obligations have been paid off, and were secured by a statutory lien upon, cash rental payments to be paid by the City of Marquette to the City of Marquette Building Authority pursuant to a Contract of Lease between the parties for the Municipal Service Center constructed with the proceeds of the City of Marquette Building Authority Municipal Obligations. The full faith and credit of the City of Marquette has been pledged for the payment of the cash rental under the Contract of Lease. The City of Marquette has agreed to levy

## **NOTE F – LONG -TERM DEBT (Continued):**

ad valorem taxes each year to the extent necessary for the payment of such cash rentals, subject to applicable constitutional, statutory and charter limitations.

On June 16, 1998, the City issued \$4,945,000 in Building Authority Refunding Bonds, Series 1998 with interest rates ranging from 3.8% to 5.125% to advance refund \$4,535,000 of outstanding Building Authority Bonds, Series 1991 with interest rates ranging from 6.00% to 6.875% maturing in fiscal years 2002 through 2021. The 1998 Issue net proceeds of \$4,790,820 (after payment of \$154,180 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service interest and principal payments on the 1991 Issue refunded bonds. As a result, the 1991 Issue bonds maturing in fiscal years 2002 through 2021 are considered to be defeased and the liability for those bonds has been removed from the Governmental Activities long-term debt balance.

Also, the irrevocable trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2004, \$4,235,000 of bonds outstanding are considered defeased.

The 1998 Building Authority Bonds - Lakeview Arena were issued for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Lakeview Arena. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The Bond's principal and interest are payable from lease payments required to be paid by the City to the Building Authority pursuant to the Contract of Lease between the City and the Authority.

On November 3, 1988, the City of Marquette authorized the sale of Marquette County Solid Waste Landfill Authority Bonds, Series 1988, in the amount of \$2,675,000 to pay for part of the cost of acquiring, constructing, and establishing a sanitary landfill and a solid waste management system. The City's proportionate share of the bonds is 31 percent or \$798,250. The City's portion of the bond's principal and interest are payable from General Fund tax levies. In July of 1993, the Authority advance refunded a portion of this issue maturing in fiscal years 1997-2009 with the 1993B Issue, Refunding Bonds.

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the City of Marquette

## **NOTE F – LONG -TERM DEBT (Continued):**

to the Building Authority pursuant to the Contract of Lease between the City and the Authority.

When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the City of Marquette.

Pursuant to Section 162.2 of Act 197, Public Acts of Michigan, as amended on October 11, 2001, the Marquette Downtown Development Authority (DDA) issued Tax Increment Bonds in the amount of \$500,000 at a 4.6% interest rate designated as Tax Increment Bonds, Series 2001, to finance a portion of the costs of certain public improvements within the downtown district. The principal and interest payable on the bonds shall be repaid solely from tax increment revenues received by the DDA.

On July 25, 2003, the City issued \$1,243,100 of State Infrastructure Bank Notes for the purpose of financing transportation infrastructure improvements through the County Road (CR) 550 Flood Repair and Spring Street Reconstruction project. The notes will be paid off in 15 annual principal installments beginning July 25, 2004 and ending July 25, 2019, plus interest at the rate of zero percent.

On December 23 2003, the City issued \$3,935,000 in General Obligation Limited Tax Bonds with interest rates ranging from 2.0% to 4.55%. The Bonds were issued pursuant to the resolution duly adopted by the City on November 24, 2003 for the purpose of reimbursing the City for certain costs relating to the acquisition of waterfront property for the City's park system, and paying the costs of designing, engineering, acquiring, preparing, constructing and equipping various park improvements.

On March 9, 2004, the City issued \$3,470,000 of State of Michigan Act 94 Clean Water Assistance Loan for the purpose of rehabilitation of the Hawley Street, Pine Street, Lake Street, and Baraga Avenue sewage pump stations. The loan will be paid off in annual principal and interest payments over 20 years with an interest rate of 2.125%.

On November 4, 2003, the City issued \$5,990,000 in Water and Sewer Refunding Revenue Bonds with an interest rate ranging from 2.0% to 4.1% to advance refund \$5,820,000 of outstanding 1996, 1977 and 1989 Water and Sewer Revenue Bonds with interest rates ranging 3.85% to 7.0%. The net proceeds of \$5,946,012 (after payment of \$122,927 in underwriting fees, insurance, and other issuance costs plus an additional \$11,484 in Prior Issue Debt Service fund monies and a \$67,455 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 1996, 1977 and 1989 Water and Sewer Revenue bonds. As a result, the 1996, 1977 and 1989 Water and Sewer Revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$170,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The City completed the advance refunding to reduce its total

## **NOTE F – LONG -TERM DEBT (Continued):**

debt service payments over the next 12 years by \$588,057 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$502,281.

On February 18, 2004, the City issued \$140,000 in Water and Sewer Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0 percent to advance refund \$125,000 of outstanding Water and Sewer Revenue Bonds, Series 1986 with an interest rate ranging 6.1% to 9.5%. The net proceeds of \$125,365 (after payment of \$14,821 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Water and Sewer Revenue Bonds, Series 1986. As a result, the 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$3,684 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,740.

On February 18, 2004, the City issued \$690,000 in Marina Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0 percent to advance refund \$655,000 of outstanding Marina Revenue Bonds, Series 1994 with an interest rate ranging 4.75% to 5.8%. The net proceeds of \$669,508 (after payment of \$18,512 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Marina Revenue Bonds, Series 1994. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 10 years by \$64,399 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$52,232.

# NOTE F – LONG -TERM DEBT (Continued):

Annual maturities on Component Unit debt are as follows:

<u>Maturities</u>	<u>1997 G.O. Bonds Library Improvement</u>	<u>1998 Building Authority Bonds - Library</u>	<u>Downtown Development Authority Note Payable</u>	<u>Downtown Development 2001 Tax Increment Bonds</u>	<u>Board of Light &amp; Power Revenue Bonds Series 2001A</u>
Year Ending June 30:					
2005	\$ 180,000	\$ 205,000	\$11,073	\$ 71,429	\$ 3,705,000
2006	195,000	215,000	11,638	71,429	3,805,000
2007	210,000	225,000	6,038	71,429	2,695,000
2008	220,000	245,000	-	71,428	2,790,000
2009 and Thereafter	2,885,000	-	-	71,428	2,700,000
Discount	-	-	-	-	(89,925)
Principal	3,690,000	890,000	28,749	357,143	15,605,075
Interest	1,462,537	111,676	2,014	36,277	1,258,673
Total	<u>\$5,152,537</u>	<u>\$1,001,676</u>	<u>\$30,673</u>	<u>\$393,420</u>	<u>\$16,863,748</u>

Board of Light and Power - Certain bonds issued in 1993 were defeased on October 11, 2001. Maximum maturities through 2009 total \$3,805,000 annually. Certain bonds issued in 2001 are subject to redemption at par, beginning July 1, 2006. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board of Light and Power's financial statements. On June 30, 2004, \$21,335,000 of bonds outstanding are considered defeased.

Annual maturities on the Business-Type Activities debts are as follows:

Year Ending June 30,	Stormwater Utility Fund	Water Supply and Sewage Disposal Fund					Marina Fund		
	11/01/95 Revenue Bonds	Lakeshore Park Place Note	State Act 94 Clean Water Assistance Loan	12/01/98 Capitalized Lease Obligations	10/30/86 Revenue Bonds	2/18/04 Revenue Bonds	11/04/03 Revenue Bonds	03/30/94 Revenue Bonds	2/18/04 Revenue Bonds
2005	\$ 215,000	\$ 18,418	\$ -	\$ 117,089	\$ 60,000	\$ 5,000	\$ 555,000	\$ 55,000	\$ 20,000
2006	230,000	19,329	140,000	120,866	-	65,000	565,000	-	70,000
2007	245,000	20,286	145,000	120,866	-	70,000	570,000	-	70,000
2008	255,000	21,289	145,000	120,866	-	-	590,000	-	70,000
2009	275,000	22,343	150,000	120,866	-	-	480,000	-	75,000
2010	290,000	23,448	155,000	-	-	-	410,000	-	70,000
2011	-	24,878	155,000	-	-	-	410,000	-	75,000
2012	-	-	160,000	-	-	-	430,000	-	75,000
2013	-	-	165,000	-	-	-	450,000	-	80,000
2014	-	-	165,000	-	-	-	470,000	-	85,000
2015	-	-	170,000	-	-	-	485,000	-	-
2016	-	-	175,000	-	-	-	505,000	-	-
2017	-	-	180,000	-	-	-	-	-	-
2018	-	-	180,000	-	-	-	-	-	-
2019	-	-	185,000	-	-	-	-	-	-
2020	-	-	190,000	-	-	-	-	-	-
2021	-	-	195,000	-	-	-	-	-	-
2022	-	-	200,000	-	-	-	-	-	-
2023	-	-	200,000	-	-	-	-	-	-
2024	-	-	205,000	-	-	-	-	-	-
2025	-	-	210,000	-	-	-	-	-	-
Principal	1,510,000	149,991	3,470,000	600,553	60,000	140,000	5,920,000	55,000	690,000
Interest	276,590	31,059	829,379	65,427	2,190	6,768	1,358,985	1,513	129,612
	<u>\$ 1,786,590</u>	<u>\$ 181,050</u>	<u>\$ 4,299,379</u>	<u>\$ 665,980</u>	<u>\$ 62,190</u>	<u>\$ 146,768</u>	<u>\$ 7,278,985</u>	<u>\$ 56,513</u>	<u>\$ 819,612</u>



## NOTE F – LONG -TERM DEBT (Continued):

Annual maturities on the Governmental Activities are as follows:

Year Ending June 30,	Lakeshore Park Place Note	GEMS Installment Note	State Infrastructure Bank Note	2003 General Obligation Bonds	Transportation Bond Fund Loans Payable	1998 Building Authority Bonds, Refunding	1998 Building Authority Bonds, Lakeview Arena	Marquette County Sanitary Landfill Authority Bonds Series 1988
2005	\$ 18,425	\$ 42,682	\$ 82,873	\$ 135,000	\$ 310,000	\$ 165,000	\$ 105,000	\$ 15,158
2006	19,336	44,646	82,873	150,000	325,000	175,000	105,000	16,754
2007	20,293	46,699	82,873	150,000	340,000	185,000	110,000	17,950
2008	21,297	48,847	82,873	170,000	355,000	190,000	125,000	19,546
2009	22,351	51,095	82,873	175,000	185,000	205,000	-	21,541
2010	23,457	53,445	82,873	175,000	195,000	210,000	-	-
2011	24,887	-	82,873	155,000	-	225,000	-	-
2012	-	-	82,873	190,000	-	235,000	-	-
2013	-	-	82,873	190,000	-	245,000	-	-
2014	-	-	82,873	200,000	-	260,000	-	-
2015	-	-	82,873	210,000	-	275,000	-	-
2016	-	-	82,873	220,000	-	285,000	-	-
2017	-	-	82,873	230,000	-	300,000	-	-
2018	-	-	82,873	235,000	-	320,000	-	-
2019	-	-	82,878	245,000	-	335,000	-	-
2020	-	-	-	260,000	-	355,000	-	-
2021	-	-	-	270,000	-	380,000	-	-
2022	-	-	-	280,000	-	-	-	-
2023	-	-	-	295,000	-	-	-	-
Principal	150,046	287,414	1,243,100	3,935,000	1,710,000	4,345,000	445,000	90,949
Interest	31,071	48,025	-	1,839,581	214,539	2,229,292	56,612	19,690
Total	\$ 181,117	\$ 335,439	\$ 1,243,100	\$ 5,774,581	\$ 1,924,539	\$ 6,574,292	\$ 501,612	\$ 110,639

Annual principal and interest requirements on indebtedness is as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$874,138	\$499,488	\$1,045,505	\$371,918	\$4,172,502	\$704,430
2006	918,609	450,647	1,210,195	366,558	4,298,066	565,892
2007	952,816	414,376	1,241,152	332,641	3,207,468	437,022
2008	1,012,565	376,449	1,202,155	291,121	3,326,429	317,900
2009	742,860	339,356	1,123,209	249,407	3,001,429	191,868
2010 and Thereafter	<u>7,705,521</u>	<u>2,388,478</u>	<u>6,773,328</u>	<u>1,089,878</u>	<u>2,565,073</u>	<u>654,0376</u>
Totals	<u>\$12,206,509</u>	<u>\$4,468,794</u>	<u>\$12,595,544</u>	<u>\$2,701,523</u>	<u>\$20,570,967</u>	<u>\$2,871,149</u>

Estimated compensated absences due within one year are \$1,195,000. The general fund has typically been used to liquidate the liability for compensated absences in prior years.

## NOTE G – INTERFUND BALANCES:

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<b>PRIMARY GOVERNMENT:</b>			
General	\$476,328	Local Street	\$ 60,050
		Nonmajor governmental	70,906
		Nonmajor enterprise	<u>345,372</u>
Subtotal	<u>476,328</u>	Subtotal	<u>476,328</u>
Nonmajor governmental	<u>48,113</u>	General	<u>48,113</u>
<b>PRIMARY GOVERNMENT AND COMPONENT UNIT:</b>			
General – Primary Unit	<u>107,897</u>	Downtown Development Authority – Component Unit	<u>107,897</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$632,338</u></b>	<b>TOTAL REPORTING ENTITY</b>	<b><u>\$632,338</u></b>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTE H – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The interfund transfers for the year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
<b>PRIMARY GOVERNMENT:</b>			
Local Street	\$682,874	General	\$1,482,888
Construction	262,157		
Nonmajor governmental	385,411		
Nonmajor Enterprise	<u>152,446</u>		
Subtotal	<u>1,482,888</u>	Subtotal	<u>1,482,888</u>
General	547,716	Major Street	529,956
		Nonmajor governmental	<u>17,760</u>
Subtotal	<u>547,716</u>	Subtotal	<u>547,716</u>
Construction	318,570	General	262,157
		Local Street	<u>56,413</u>
Subtotal	<u>318,570</u>	Subtotal	<u>318,570</u>
Major Street	744,620	Construction	820,291
Stormwater Utility	<u>75,671</u>		
Subtotal	<u>820,291</u>	Subtotal	<u>820,291</u>
Internal service	<u>379,928</u>	Nonmajor governmental	<u>379,928</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$3,549,393</u></b>	<b>TOTAL REPORTING ENTITY</b>	<b><u>\$3,549,393</u></b>

## NOTE H – INTERFUND TRANSFERS IN AND TRANSFERS OUT (Continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE I – ADVANCES TO/FROM COMPONENT UNITS:

<u>Fund</u>	<u>Advances From</u>	<u>Fund</u>	<u>Advances To</u>
General – Primary Government	<u>\$29,158</u>	Downtown Development Authority – Component Unit	<u>\$29,158</u>

## NOTE J – CAPITAL ASSETS:

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

<b>GOVERNMENTAL ACTIVITIES:</b>	<b>Balance at June 30, 2003</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2004</b>
Investment in joint venture	\$ 2,786,629	\$ 286,882	\$ -	\$ 3,073,511
Construction in progress	173,670	2,304,401	(12,353)	2,465,718
Land	5,780,525	329,646	(62,049)	6,048,122
Total Capital Assets, not being depreciated	<u>8,740,824</u>	<u>2,920,929</u>	<u>(74,402)</u>	<u>11,587,351</u>
Land improvements	7,151,614	12,353	(273,449)	6,890,518
Buildings	5,014,771	-	(43,304)	4,971,467
Building improvements	11,334,238	649,910	(282,510)	11,701,638
Furniture and equipment	10,789,862	744,198	(788,554)	10,745,506
Infrastructure	1,235,705	362,302	-	1,598,007
Total Capital Assets, being depreciated	<u>35,526,190</u>	<u>1,768,763</u>	<u>(1,387,817)</u>	<u>35,907,136</u>
Less Accumulated Depreciation:				
Land improvements	(3,503,290)	(326,030)	170,519	(3,658,801)
Buildings	(2,587,169)	(87,621)	29,591	(2,645,199)
Building improvements	(4,693,466)	(434,028)	160,553	(4,966,941)
Furniture and equipment	(6,202,594)	(753,574)	506,061	(6,450,107)
Infrastructure	-	(49,428)	-	(49,428)
Total Accumulated Depreciation	<u>(16,986,519)</u>	<u>(1,650,681)</u>	<u>866,724</u>	<u>(17,770,476)</u>
Governmental Activities Capital Assets, net	<u>\$ 27,280,495</u>	<u>\$ 3,039,011</u>	<u>\$ (595,495)</u>	<u>\$ 29,724,011</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activity:	
Depreciation – unallocated	\$ 875,141
Internal Service Funds charged to above activities	<u>775,540</u>
Total Depreciation Expense – Governmental Activities	<u>\$1,650,681</u>

## NOTE J – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

BUSINESS-TYPE ACTIVITIES:	Balance at June 30, 2003	Additions	Disposals	Balance at June 30, 2004
Investment in joint venture	\$ 2,911,499	\$ -	\$ (2,105)	\$ 2,909,394
Land	102,500	-	-	102,500
Total Capital Assets, not being depreciated	3,013,999	-	(2,105)	3,011,894
Land improvements	3,119,861	9,000	-	3,128,861
Buildings and building improvements	13,859,917	251,252	-	14,111,169
Furniture and equipment	872,730	753,757	-	1,626,487
Infrastructure	28,931,426	2,122,623	-	31,054,049
Total Capital Assets, being depreciated	46,783,934	3,136,632	-	49,920,566
Less Accumulated Depreciation:				
Land improvements	(881,147)	(120,605)	-	(1,001,752)
Buildings and building improvements	(4,144,016)	(271,986)	-	(4,416,002)
Furniture and equipment	(641,748)	(32,376)	-	(674,124)
Infrastructure	(7,186,343)	(661,740)	-	(7,848,083)
Total Accumulated Depreciation	(12,853,254)	(1,086,707)	-	(13,939,961)
Business-Type Activities Capital Assets, net	\$ 36,944,679	\$ 2,049,925	\$ (2,105)	\$ 38,992,499

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Water Supply and Sewage Disposal	\$754,651
Stormwater Utility	158,443
Marina	134,820
Intermodal Transportation Terminal	38,792
Total Depreciation Expense – Business-Type Activities	<u>\$1,086,706</u>

A summary of component units capital assets is as follows:

COMPONENT UNITS:	Board of Light and Power	Peter White Public Library	Downtown Development Authority	Total Component Units
Land	\$ 1,119,971	\$ 114,704	\$ -	\$ 1,234,675
Total Capital Assets, not being depreciated	1,119,971	114,704	-	1,234,675
Land improvements	-	-	1,090,544	1,090,544
Buildings and improvements	10,965,241	8,848,096	-	19,813,337
Furniture and equipment	99,260,487	2,232,468	92,371	101,585,326
Total Capital Assets, being depreciated	110,225,728	11,080,564	1,182,915	122,489,207
Less Accumulated Depreciation:				
Land improvements	-	-	(56,614)	(56,614)
Buildings and improvements	-	(1,967,221)	-	(1,967,221)
Furniture and equipment	-	(1,696,693)	(48,592)	(1,745,285)
Unallocated	(70,558,762)	-	-	(70,558,762)
Total Accumulated Depreciation	(70,558,762)	(3,663,914)	(105,206)	(74,327,882)
Component Units Capital Assets, net	\$ 40,786,937	\$ 7,531,354	\$ 1,077,709	\$ 49,396,000

**NOTE J – CAPITAL ASSETS (Continued):**

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Board of Light and Power	\$3,094,111
Peter White Public Library	521,421
Downtown Development Authority	<u>47,402</u>
Total Depreciation Expense – Component Units	<u>\$3,662,934</u>

**NOTE K – DEFERRED REVENUES:**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

1. The General Fund has reported deferred revenue of \$6,633,755. Of this amount, \$6,475,562 relates to the 2004 tax levy assessed May 1, 2004 and payable July 1, 2004, \$12,417 relates to delinquent taxes receivable not collected within sixty days after year-end, and \$145,776 relates to the special assessment receivable which are not available resources within the next year.
2. The Special Revenue Funds have reported deferred revenues of \$150. This amount represents arena revenues collected in advance.
3. The Enterprise Funds have reported deferred revenue of \$124,638. This amount, \$124,638 represents the portion of special assessment receivables which are not available resources within the next year.
4. The Component Units have reported deferred revenue of \$1,302,351. Of this amount \$1,260,066 relates to their portion of the 2004 tax levy \$38,703 relates to long-term community development loans, and \$3,582 represents other revenues collected in advance.

**NOTE L – DEFINED BENEFIT PENSION PLAN - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN:*****Plan Description***

The City contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

**NOTE L – DEFINED BENEFIT PENSION PLAN - MUNICIPAL EMPLOYEES  
RETIREMENT SYSTEM OF MICHIGAN (Continued):**

The qualified employees of the Fire Department and the Police Department of the City are included in a separate self-administered plan. The employees of the Marquette Board of Light and Power are included in a separate plan. All other full-time employees of the City and the Marquette Area Wastewater Treatment Facility are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with ten or more years of service, who become disabled receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

***Funding Policy***

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

***Annual Pension Cost***

For the year ended June 30, 2004, the City's annual pension cost of \$521,245 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

**NOTE L – DEFINED BENEFIT PENSION PLAN - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN (Continued):**

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on page 90.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Valuation Date</u> <u>December 31</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2002	1999	\$399,053	100%	0
2003	2000	456,453	100%	0
2004	2001	521,245	100%	0

**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT SYSTEM:**

***Separately Issued Plan Financial Report***

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

***Summary of Significant Accounting Policies***

***Basis of Accounting*** - The City of Marquette Fire - Police Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Method Used to Value Investments*** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

***Plan Description***

The City of Marquette is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Marquette to provide pension benefits for the Fire and Police Department employees. The Fire and Police System is considered part of the City Marquette's financial reporting entity and is included in the City's financial report as a pension trust fund. The City's payroll for employees covered by the System for the year ended June 30, 2004 was \$2,603,779; the City's total payroll was \$9,642,329.

**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT SYSTEM (Continued):**

Current membership in the Plan comprises the following as of December 31, 2003, the latest actuarial valuation date:

Group	
Retirees and beneficiaries currently receiving benefits	51
Vested terminated members	2
Active employees:	
Fire	26
Police	<u>35</u>
TOTAL	<u>114</u>

The qualifying full-time employees of the Fire Department and Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 with 10 or more years of service, are entitled to annual retirement benefits, payable monthly for life, in an amount equal to a minimum of \$600 a month, or 2.5 percent of a three year average final compensation times the first twenty-five years of service plus 1 percent (1.5 percent for Police members) of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total and permanent disability of a member with 5 or more years of service. Benefits up to age 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable, up to the age of 55, (age 50 for Firefighters) at 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55, except for firefighters whose full retirement is the equivalent of 25 years of service that the member would have had if not disabled.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

If an active employee with 20 or more years of service (10 years required for fire members) dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight life pension actuarially reduced in accordance with option I election.



**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT SYSTEM (Continued):**

***Contributions***

Covered employees are required by statute to contribute 5 percent of their salary to the System. If an employee leaves covered employment or dies before 25 years of service, accumulated employee contributions plus related investment earnings may be refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by State statute and City ordinance.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2004 were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized as a level percent of payroll over an open period of 21 years for police and 20 years for fire.

During the year ended June 30, 2004 and 2003, contributions totaling \$-0- and \$-0-, respectively, were made in accordance with contribution requirements determined by an actuarial valuation of the System.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on pages 91 and 199.

<u>Fiscal Year Ending June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	0	0	0
2002	0	0	0
2003	0	0	0

***Concentrations of Investments***

The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Barclays Global Investors Fund – 986,003.05 Units	<u><u>\$8,673,902</u></u>
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**NOTE N – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER - COMPONENT UNIT:**

***Separately Issued Plan Financial Report***

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

During the fiscal year ended June 30, 2004, the Board of Light and Power was effectively split from other City departments for pension benefit purposes. The following disclosures are related to the specifics of the "new" plan for the Board of Light and Power employees as excerpted from the audit report of the Board of Light and Power.

***Plan Description***

The Board of Light and Power (Board) contributed to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

All employee's benefits, except for the executive director, vest after ten years of service. The executive director's benefits vest at eight years of service. Current Board bargaining and nonbargaining active employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.25 percent of a members 5 year final average compensation times the number of years service credited until age 65. At age 65, or upon receipt of social security benefits, the benefit payable for life is equal to the sum of 1.7 percent times the 5 year final average compensation times the number of years of service credit. Board employees who have retired prior to July 1, 1992, at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly for life, in an amount equal to the sum of 1.2 percent times the first \$4,200 of a members 5 year final average compensation, plus 1.7 percent times the portion of final average compensation over \$4,200. The executive director and the management group who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.5 and 2.25, respectfully, percent of a member's 5 year final average compensation times the number of years of service credit. The System provides for early retirement benefits for all active employees at age 55 with 15 years of service at a reduced retirement benefit and with 25 years of service at age 55 without reduced benefits and age 50 with 25 years of service at a reduced benefit.

The System also provides death and disability benefits. The benefit provisions and all other requirements are established by State statute and Board ordinance.

Active employees with ten or more years of service, who become disabled receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction

**NOTE N – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER -  
COMPONENT UNIT (Continued):**

for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

***Funding Policy***

Board employees are required to contribute percentages ranging from 4.7% - 4.8% of their annual salary to the System, except for the executive director's contribution which is paid by the Board. The Board is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

***Annual Pension Cost***

For the year ended June 30, 2004, the Board's annual pension cost was \$271,728. The Board's actual contributions for 2004 were \$269,928. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.5 percent a year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.5% to 4.90% per year, depending on age, attributable to seniority/merit. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on page 92.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Valuation Date</u> <u>December 31</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2002	1999	\$271,151	100%	0
2003	2000	276,564	100%	0
2004	2001	271,728	99%	0

#### **NOTE O – DEFINED CONTRIBUTION PENSION PLAN:**

The City of Marquette provides pension benefits to Senior Management Division 15 and Middle Management Division 10 employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City established the MERS Benefit Program DC in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employees' Retirement System of Michigan Plan Document. The ICMA Retirement Corporation is the Plan Administrator and the City has agreed to the commingled investment of assets of the Plan within the ICMA Retirement Trust.

At June 30, 2004, there were 9 plan members. Plan members are required to contribute 3% of covered earnings and the City is required to contribute 13% or 9% of covered earnings for the Senior Management Division and Middle Management Division, respectively. In accordance with these requirements, the City contributed \$83,420 during the current year and employees contributed \$20,682. The employees under the Plan are immediately vested.

#### **NOTE P – DEFERRED COMPENSATION PLAN:**

The City of Marquette offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all Board of Light and Power employees and to all other City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The City's plans are administered by the Nationwide Retirement Solutions (formerly known as PEBSCO), the International City Manager's Association (ICMA), American Express Financial Advisors, Inc., and the Variable Annuity Life Insurance Company (VALIC). Nationwide and ICMA, as plan administrators, agree to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide or ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

The Component Unit's (Board of Light and Power's) plans are administered by the ICMA and Nationwide. ICMA and Nationwide, as plan administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from ICMA or Nationwide or their agents' failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

## NOTE Q – LONG TERM RECEIVABLES:

### General Fund:

Loans made to individual businesses in Marquette's downtown area by the Community Development Fund are recorded in the General Fund as long-term receivables and a Due to the Downtown Development Authority Component Unit (DDA). The total outstanding amount of loans issued as of June 30, 2004 was \$38,703. The DDA's General Fund has recorded the amount of these loans as deferred revenue related to the Tax Increment Financing district. As payments are received by the City's General Fund, they will be transferred to the DDA and shown as revenues in accordance with generally accepted accounting principles for governmental funds in the DDA.

### Internal Service Fund:

In November of 1999, the City entered into an agreement with the Downtown Development Authority (DDA), whereby the City would finance the purchase of a municipal sidewalk tractor. The financing agreement calls for payments over a seven-year period, with quarterly installments of \$3,076, including interest at 5% per annum. The balance of this long-term receivable recorded in the Motor Vehicle Equipment Fund was \$28,749 at June 30, 2004.

Remaining principal payments to be received as of June 30, 2004 are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>	<u>Motor Vehicle Equipment Fund</u>
2005	\$38,703	\$11,073
2006	-	11,638
2007	-	6,038
	<u>\$38,703</u>	<u>\$28,749</u>

## NOTE R - ACCUMULATED COMPENSATED ABSENCES:

**Sick Leave** - Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon retirement or termination, employees in good standing after at least ten (10) years of service, shall be paid one-half such sick leave accumulated at that time up to a maximum accrual of 1,800 hours at their current rate of pay. Certain bargaining unit employees who were hired before January 1, 1975, shall be paid one-half of all sick leave hours accumulated at the time of retirement or termination. Management employees whose accrued sick leave balances were greater than 1,800 hours for the pay period of June 9, 1997 through June 22, 1997, have their sick leave balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998 have their accrued sick leave balance capped at 1,000 hours for payout purposes at the time of retirement or termination.

**Vacation Leave** - Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement or termination, employees are paid for such vacation accumulated at that time up to a maximum accrual of 400 hours. Certain supervisory employees are paid for such vacation accumulated at that time up to a maximum accrual of 408 hours. Management employees whose accrued vacation balances were greater than 400 hours for the pay period of June 9, 1997

**NOTE R - ACCUMULATED COMPENSATED ABSENCES (Continued):**

through June 22, 1997 have their vacation balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998 have a maximum accrual of 200 vacation hours for payout purposes at the time of retirement or termination. Fire and Police employees are paid for all accrued vacation hours accumulated at the time of retirement or termination up to certain capped levels.

**Benefit Day Leave** – Effective December 11, 2000, all new hired Department Heads and Middle Managers earn benefit leave dependent upon their length of employment. Current Department Heads and Middle Managers at that time had the option of remaining under the regular Vacation and Sick Leave or electing the Benefit Leave. If the Benefit Leave was elected, their accumulated vacation and sick leave was converted to benefit leave. Vacation leave was converted on a one for one basis while sick leave was converted on a two for one basis. By December 31 of every year, these employees have the option of being paid for accumulated benefit leave not to exceed 5% of their annual base pay, provided they maintain a minimum of 232.5 benefit hours. These employees have their benefit leave capped at 1,100 hours for payout purposes at the time of retirement or termination.

The liabilities for accumulated, unpaid vacation, sick and benefit leave at June 30, 2004 are as follows:

	<u>Benefit Leave And Vacation</u>	<u>Sick</u>	<u>Total</u>
PRIMARY GOVERNMENT:			
Current portion	\$ 836,676	\$114,225	\$ 950,901
Long-term portion	<u>276,837</u>	<u>701,972</u>	<u>978,809</u>
TOTAL	<u>\$1,113,513</u>	<u>\$816,197</u>	<u>\$1,929,710</u>
COMPONENT UNITS:			
Current portion	\$413,470	\$420,139	\$833,609
Long-term portion	<u>47,275</u>	<u>28,612</u>	<u>75,887</u>
TOTAL	<u>\$460,745</u>	<u>\$448,751</u>	<u>\$909,496</u>

**NOTE S – BUDGETARY NONCOMPLIANCE:**

Excesses of expenditures over appropriations in the individual government funds are as follows:

General Fund:	
General government	<u>\$213,807</u>

Budget amendments are required by State law when it appears that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available fund balance upon which appropriations from the fund were based, which would prevent expenditures from exceeding available revenues for that current fiscal year.

## **NOTE T – CONTINGENCIES:**

There exists certain lawsuits pending in which the City is involved. The City attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

## **NOTE U – JOINT VENTURE - MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY:**

In June of 1988, the City of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as, a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, and to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

As required by Governmental Accounting Standards Board Statement #14, the City's investment in this joint venture is recorded as an asset in the general fixed asset account group. The audited financial statements for the Marquette County Solid Waste Management Authority can be obtained at P.O. Box 936, Marquette, MI 49855.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City's share of assets, liabilities and fund equity is approximately 31 percent. Summary financial information as of and for the fiscal year ended June 30, 2004, the latest available report, is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Net Assets	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Total Joint Venture's Outstanding Debt	1,140,000

**NOTE U – JOINT VENTURE - MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY (Continued):**

The City has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, 1993B Issue, Refunding Bonds. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The obligation to pay a proportionate share of the principal and interest is a general obligation of each constituent municipality. Each member is authorized and obligated to levy a tax without limitation as to rate or amount for the prompt payment of its respective shares of the obligation. The City has elected to pay its share of the debt through tax levies. The proportionate share of the debt service for the City will be included in the General Fund debt service expenditures in future years. The City's proportionate share, as based on a 1990 census, is approximately 31% as of June 30, 2004.

**NOTE V – RISK MANAGEMENT:**

The City of Marquette is exposed to various risks of loss related to property, loss, torts, errors and omissions, and employee injuries (workmans' compensation). As of July 1, 1997 the City participates in the Michigan Municipal League Property and Liability Pool for claims relating to other liability and property claims and participates in the Michigan Municipal Workers Compensation Pool for employee injury claims.

The Michigan Municipal League risk pool programs operate as common risk-sharing\management programs for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The City's maximum deductible for property and liability coverage is \$75,000 per occurrence, subject to \$250,000 aggregate per policy year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all employees, including retired employees.

**NOTE W – OTHER POST EMPLOYMENT BENEFITS:**

The City of Marquette offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the City. The amount paid for former City employees for the fiscal year ended June 30, 2004 was \$186,109. There were 97 participants eligible to receive benefits and 55 are participating. This benefit is accounted for on the "pay-as-you-go" method, whereby the City is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for the component unit (Board of Light and Power) employees for the year ended June 30, 2004 was \$651,126. There were 72 participants eligible and receiving benefits.



**NOTE X – EXTRAORDINARY ITEM:**

On May 15, 2003, the City experienced a flood event caused by the failure of a dike at the Silver Lake dam. There was significant erosion along the Dead River and the City's Tourist Park Basin. The City owned bridges crossing the Dead River on County Road 550 and Lakeshore Boulevard were washed away. Also, numerous facilities owned by the Board of Light and Power Component Unit were affected by the water and debris including the #2 Hydro Plant basement, the roads to #2 Hydro Plant and Penstock, the #3 Hydro Plant and substation, the river banks and other facilities.

For the year ended June 30, 2004, the identifiable expenditures for the City approximated \$10,467 in expenses related to the clean up and repair of the Tourist Park Basin and bridge areas and \$158,059 in capital expenditures related to replacement of the lost bridges.

Future actions to address the effects of the flood event, possible costs, and possible reimbursements from insurance companies or third parties cannot be determined at this time.

**NOTE Y – SINGLE AUDIT:**

The City's audited financial statements report a total amount of federal expenditures that is more than the Single Audit threshold of \$500,000. The City is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2004.

**NOTE Z – RECLASSIFICATIONS:**

Certain reclassifications have been made in the June 30, 2003 financial statements to conform to the classifications used as of June 30, 2004.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Marquette, Michigan**

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
DEFINED BENEFIT PENSION PLAN  
ANALYSIS OF FUNDING INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1994	\$10,673,555	\$11,133,695	\$460,140	96%	\$4,684,593	10 %
1995	11,393,263	11,735,154	341,891	97	4,590,387	7
1996	12,436,500	13,648,879	1,212,379	91	4,717,183	26
1997	13,630,932	15,461,563	1,830,631	88	4,800,223	38
1998	15,257,550	16,216,678	959,128	94	5,031,270	19
1999	16,969,765	17,430,314	460,549	97	4,909,541	9
2000	18,722,203	20,136,439	1,414,236	93	4,803,572	29
2001	20,056,537	23,113,321	3,056,784	87	5,039,800	61
2002	20,799,934	24,588,188	3,788,254	85	5,227,706	72
2003	22,629,322	25,997,838	3,368,516	87	5,393,986	65

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending <u>June 30</u>	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	1992	\$ 0	100.0%	\$ 0
1996	1993	40,840	100.0%	0
1997	1994	103,124	100.0%	0
1998	1995	153,696	100.0%	0
1999	1996	295,912	100.0%	0
2000	1997	424,066	100.0%	0
2001	1998	381,485	100.0%	0
2002	1999	399,053	100.0%	0
2003	2000	456,453	100.0%	0
2004	2001	521,245	100.0%	0

**NOTES TO THE REQUIRED SCHEDULES**

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

**City of Marquette, Michigan**

**FIRE - POLICE RETIREMENT SYSTEM  
ANALYSIS OF FUNDING INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of <u>Assets</u>	(b) Entry Age Actuarial Accrued <u>Liability</u>	(b-a) Unfunded Accrued Liability <u>(UAL)</u>	(a/b) Funded <u>Ratio</u>	(c) Annual Covered <u>Payroll</u>	[(b-a)/c] UAL as a Percentage of <u>Covered Payroll</u>
1994	\$15,843,231	\$12,212,035	\$(3,631,196)	130%	\$1,946,521	- %
1995	16,973,947	14,169,723	(2,804,224)	120	2,024,755	-
1996	18,118,588	15,362,498	(2,756,090)	118	2,084,753	-
1997	19,918,405	16,102,478	(3,815,927)	124	2,234,522	-
1998	22,301,497	17,189,981	(5,111,516)	130	2,248,447	-
1999	24,690,249	18,070,456	(6,619,793)	137	2,381,956	-
2000	26,681,186	18,922,286	(7,758,900)	141	2,477,522	-
2001	27,995,675	20,310,485	(7,685,190)	138	2,595,193	-
2002	27,832,278	22,046,809	(5,785,469)	126	2,669,333	-
2003	27,564,327	23,337,401	(4,226,926)	118	2,717,024	-

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
1994	\$ 248,045@	100.0%	\$ 0
1995	198,638@	100.0%	0
1996	207,560@	100.0%	0
1997	206,674@	100.0%	0
1998	220,008@	100.0%	0
1999	202,247@	100.0%	0
2000	-	-	0
2001	-	-	0
2002	-	-	0
2003	-	-	0

@ In each the employer contributes exactly the actual dollar amount recommended by the actuary plus 5.0% of the actual pay during the fiscal year of both the fire chief and police chief.

**NOTES TO THE REQUIRED SCHEDULES**

The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00% to 3.50% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis. The amortization period on December 31, 2003 was 21 years for police and 20 years for fire.

**City of Marquette, Michigan**

**MARQUETTE BOARD OF LIGHT AND POWER  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
DEFINED BENEFIT PENSION PLAN  
ANALYSIS OF FUNDING INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1994	\$11,007,123	\$11,076,077	\$68,954	99%	\$3,368,249	2 %
1995	12,088,737	12,555,896	467,159	96	3,410,595	14
1996	13,416,016	12,897,873	(518,142)	104	3,405,977	0
1997	14,996,905	14,042,518	(954,386)	107	3,295,592	0
1998	16,434,707	14,847,465	(1,587,241)	111	3,545,675	0
1999	18,484,644	17,553,732	(930,912)	105	3,431,413	0
2000	20,201,860	21,432,284	1,230,424	94	3,585,217	34
2001	21,249,595	22,508,331	1,258,736	94	3,720,528	34
2002	21,204,453	23,824,315	2,619,862	89	3,577,979	73
2003	21,931,156	26,001,957	4,070,801	84	3,911,098	104

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending June 30	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	1992	\$ 247,660	0.0%	\$ 247,660
1996	1993	164,652	422.7%	(531,348)
1997	1994	187,370	234.8%	(252,630)
1998	1995	277,303	63.1%	102,306
1999	1996	249,208	61.0%	98,199
2000	1997	213,168	225.0%	0
2001	1998	229,444	164.0%	0
2002	1999	277,151	100%	0
2003	2000	276,564	100%	0
2004	2001	271,728	99%	0

**NOTES TO THE REQUIRED SCHEDULES**

Commencing with the 1993 actuarial valuation, the required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.90% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

## **City of Marquette, Michigan**

### **MAJOR GOVERNMENTAL FUNDS**

#### **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

##### **GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

##### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes.

**MAJOR STREET AND TRUNKLINE FUND AND LOCAL STREET FUND:** Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

##### **CAPITAL PROJECTS FUNDS**

The function of Capital Projects Funds is to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds. The modified accrual basis of accounting is used in recording Capital Projects Fund transactions.

**CONSTRUCTION FUND:** This fund records the development, improvement, and rehabilitation of City infrastructure. Operating transfers have financed the current projects.

**City of Marquette, Michigan**

**GENERAL FUND**

**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 1,891,854	\$ 2,653,529
Investments	429,323	194,192
Receivables:		
Taxes:		
Current	6,475,562	6,015,950
Delinquent	35,914	31,802
Accounts	124,029	135,643
Special assessment	145,776	190,491
Allowance for uncollectible accounts	(24,924)	(24,924)
Due from other funds	476,328	480,791
Due from component units	117,442	117,442
Advances to component units	29,158	29,859
Due from other governments:		
County	18,972	16,989
State	296,117	305,398
Federal	-	235,160
Due from other authorities	1,390,375	273,736
Inventories	131,436	132,359
Prepaid expenditures	54,069	37,670
Long-term receivables:		
Office bar business loan	38,703	39,405
<b>TOTAL ASSETS</b>	<u><u>\$ 11,630,134</u></u>	<u><u>\$ 10,865,492</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 190,576	\$ 346,273
Retainages payable	1,046	200
Accrued vacation	677,983	457,377
Due to other funds	48,113	48,113
Due to component units	38,703	95,552
Due to local units	4,503	3,005
Deferred revenue on property taxes receivable:		
Current	6,475,562	6,015,950
Delinquent	12,417	12,417
Deferred revenue on special assessments	145,776	190,491
<b>TOTAL LIABILITIES</b>	<u><u>7,594,679</u></u>	<u><u>7,169,378</u></u>
Fund Balance:		
Reserved for:		
Prepaid expenditures	54,069	37,670
Advances to other funds	29,158	29,859
Inventories	131,437	132,359
Long-term receivables	38,703	39,405
Encumbrances	950,049	126,055
Workers' compensation	174,476	114,087
Unreserved	2,657,563	3,216,679
<b>TOTAL FUND BALANCE</b>	<u><u>4,035,455</u></u>	<u><u>3,696,114</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 11,630,134</u></u>	<u><u>\$ 10,865,492</u></u>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Property Taxes:				
Real property tax	\$ 5,375,000	\$ 5,329,586	\$ (45,414)	\$ 5,236,266
Personal property tax	360,000	407,704	47,704	346,961
Interest and penalty on taxes	36,200	32,455	(3,745)	30,238
Administrative collection fees	190,000	186,116	(3,884)	187,956
Total Property Taxes	5,961,200	5,955,861	(5,339)	5,801,421
Industrial Facilities Tax Act	7,000	6,110	(890)	6,726
Payments in Lieu of Taxes:				
MSHDA	20,000	16,805	(3,195)	16,978
Light and Power Fund	1,268,000	1,241,456	(26,544)	1,237,728
Public Housing Authority	27,000	15,755	(11,245)	26,580
Sault Tribe Housing Authority	1,500	1,500	-	-
Marquette Area Wastewater Treatment Facility	124,440	94,023	(30,417)	106,216
Water and Sewage Disposal Fund	675,706	658,340	(17,366)	697,522
Total Payment in Lieu of Taxes	2,116,646	2,027,879	(88,767)	2,085,024
Federal and State Grants:				
Title III B OAA Homemaker	-	-	-	429
UPSET	28,000	12,939	(15,061)	51,106
State Home Care Service	34,152	35,276	1,124	34,882
Community Mental Health Allocation	8,309	9,574	1,265	5,418
FEMA-Fire Safety	39,600	3,681	(35,919)	27,117
Economic Development Act	-	-	-	750,000
Highway Safety	-	-	-	78,504
Lighthouse Restoration	-	5,000	5,000	-
Other	44,000	-	(44,000)	-
MDOT Transportation Enhancement	-	3,829	3,829	-
Coastal Zone Management	36,000	-	(36,000)	-
Department of Natural Resources	4,200	5,100	900	45,705
Department of Natural Resources - Soccer Fields	-	21,183	21,183	190,643
Council for Arts & Cultural	24,000	21,000	(3,000)	21,350
Total Federal and State Grants	218,261	117,582	(100,679)	1,205,154
State-Shared Revenues:				
Fire protection - State facility	211,000	77,655	(133,345)	331,151
Sales and use tax	2,320,000	2,186,599	(133,401)	2,276,909
Liquor licenses	18,000	18,444	444	17,530
Total State-Shared Revenues	2,549,000	2,282,698	(266,302)	2,625,590



**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>Intergovernmental Revenues:</b>				
UPSET	\$ 1,000	\$ 1,164	\$ 164	\$ 606
NMPSA	10,000	7,868	(2,132)	9,018
Arts and culture	5,000	-	(5,000)	-
MCCOA allocation - senior services	103,035	104,922	1,887	88,533
MCCOA allocation - match	28,365	32,055	3,690	26,459
Tribal Revenue Sharing	10,000	10,000	-	10,000
<b>Total Intergovernmental Revenues</b>	<b>157,400</b>	<b>156,009</b>	<b>(1,391)</b>	<b>134,616</b>
<b>Licenses and Permits:</b>				
Business licenses and permits	7,000	4,685	(2,315)	4,766
Nonbusiness licenses and permits	8,500	13,858	5,358	12,303
<b>Total Licenses and Permits</b>	<b>15,500</b>	<b>18,543</b>	<b>3,043</b>	<b>17,069</b>
<b>Charges for Services:</b>				
Fees	383,500	263,423	(120,077)	250,629
Garbage transfer and disposal fees	983,772	1,117,285	133,513	892,635
Cemetery foundations and grave openings	38,500	35,958	(2,542)	43,720
Services to other funds	1,720,936	1,665,127	(55,809)	1,212,667
<b>Total Charges for Services</b>	<b>3,126,708</b>	<b>3,081,793</b>	<b>(44,915)</b>	<b>2,399,651</b>
<b>Sales:</b>				
Cemetery lot use	13,000	10,950	(2,050)	22,500
Travel trailer facility concessions and other	10,000	8,314	(1,686)	7,956
<b>Total Sales</b>	<b>23,000</b>	<b>19,264</b>	<b>(3,736)</b>	<b>30,456</b>
<b>Use and Admission Fees:</b>				
Community Center use	15,000	18,457	3,457	16,368
Travel trailer facility use	120,000	99,652	(20,348)	104,373
Ballfields	11,500	14,351	2,851	7,706
Skiing use/passes	500	115	(385)	601
Parking fees	14,000	11,336	(2,664)	13,469
Art center and theater	49,000	38,137	(10,863)	36,539
<b>Total Use and Admission Fees</b>	<b>210,000</b>	<b>182,048</b>	<b>(27,952)</b>	<b>179,056</b>
<b>Fines and forfeits</b>	<b>125,850</b>	<b>136,538</b>	<b>10,688</b>	<b>138,538</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>Rentals:</b>				
Land and building rental	\$ 21,900	\$ 21,076	\$ (824)	\$ 36,246
Parking rentals - lots	100	4,420	4,320	100
Equipment rent	40,000	16,168	(23,832)	11,917
<b>Total Rentals</b>	<b>62,000</b>	<b>41,664</b>	<b>(20,336)</b>	<b>48,263</b>
<b>Special Assessments:</b>				
Interest	16,800	21,110	4,310	17,835
Assessments levied	32,300	45,033	12,733	86,699
<b>Total Special Assessments</b>	<b>49,100</b>	<b>66,143</b>	<b>17,043</b>	<b>104,534</b>
Sale of fixed assets	3,000	3,743	743	68,464
Contributions from private sources	48,500	21,500	(27,000)	82,053
Investment income	315,000	(128,669)	(443,669)	254,410
Reimbursements	38,343	20,433	(17,910)	20,220
Other Revenue	3,175	63,601	60,426	173,616
<b>TOTAL REVENUES</b>	<b>15,029,683</b>	<b>14,072,740</b>	<b>(956,943)</b>	<b>15,374,861</b>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
Central Administration:				
Personnel services	1,255,899	1,211,756	44,143	1,222,993
Supplies	47,089	43,047	4,042	42,589
Other services and charges	301,616	245,368	56,248	359,303
<b>Total Central Administration</b>	<b>1,604,604</b>	<b>1,500,171</b>	<b>104,433</b>	<b>1,624,885</b>
Assessor:				
Personnel services	118,647	105,330	13,317	118,535
Supplies	6,000	7,114	(1,114)	8,850
Other services and charges	51,345	47,007	4,338	37,359
<b>Total Assessor</b>	<b>175,992</b>	<b>159,451</b>	<b>16,541</b>	<b>164,744</b>
Clerk:				
Personnel services	347,615	336,983	10,632	284,947
Supplies	12,250	7,557	4,693	11,051
Other services and charges	112,701	84,546	28,155	199,380
Capital outlay	55,000	-	55,000	-
<b>Total Clerk</b>	<b>527,566</b>	<b>429,086</b>	<b>98,480</b>	<b>495,378</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		Variance with	2003
	Final Budget	Actual GAAP Basis	Final Budget Positive (Negative)	Actual GAAP Basis
<b>Information Systems:</b>				
Personnel services	\$ 186,789	\$ 184,596	\$ 2,193	\$ 175,342
Supplies	19,694	21,562	(1,868)	11,376
Other services and charges	193,420	142,462	50,958	201,801
Capital outlay	73,803	76,540	(2,737)	187,004
<b>Total Information Systems</b>	<b>473,706</b>	<b>425,160</b>	<b>48,546</b>	<b>575,523</b>
<b>City Hall and Grounds:</b>				
Personnel services	19,360	51,683	(32,323)	75,351
Supplies	7,500	7,297	203	8,327
Other services and charges	65,160	64,491	669	81,713
Capital outlay	68,000	7,552	60,448	57,227
<b>Total City Hall and Grounds</b>	<b>160,020</b>	<b>131,023</b>	<b>28,997</b>	<b>222,618</b>
<b>Cemetery:</b>				
Personnel services	108,480	103,242	5,238	103,346
Supplies	7,400	4,501	2,899	6,316
Other services and charges	42,450	39,900	2,550	47,380
Capital outlay	10,000	-	10,000	5,882
<b>Total Cemetery</b>	<b>168,330</b>	<b>147,643</b>	<b>20,687</b>	<b>162,924</b>
<b>Other General Government:</b>				
Insurance and Bonds:				
Other services and charges	125,000	111,285	13,715	89,964
Other	184,750	729,956	(545,206)	162,003
<b>Total Other General Government</b>	<b>309,750</b>	<b>841,241</b>	<b>(531,491)</b>	<b>251,967</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>3,419,968</b>	<b>3,633,775</b>	<b>(213,807)</b>	<b>3,498,039</b>
<b>PUBLIC HEALTH AND SAFETY:</b>				
<b>Police Department:</b>				
Personnel services	2,608,261	2,605,334	2,927	2,393,408
Supplies	44,500	41,957	2,543	46,166
Other services and charges	206,500	197,534	8,966	186,142
Capital outlay	5,000	4,940	60	246,685
<b>Total Police Department</b>	<b>2,864,261</b>	<b>2,849,765</b>	<b>14,496</b>	<b>2,872,401</b>
<b>Fire Department:</b>				
Personnel services	1,490,216	1,485,024	5,192	1,430,293
Supplies	25,700	26,890	(1,190)	26,291
Other services and charges	121,475	116,919	4,556	144,891
Capital outlay	55,800	14,440	41,360	44,653
<b>Total Fire Department</b>	<b>1,693,191</b>	<b>1,643,273</b>	<b>49,918</b>	<b>1,646,128</b>
<b>TOTAL PUBLIC HEALTH AND SAFETY</b>	<b>4,557,452</b>	<b>4,493,038</b>	<b>64,414</b>	<b>4,518,529</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>PUBLIC WORKS:</b>				
Public Works Maintenance:				
Personnel services	\$ 1,503,194	\$ 1,504,092	\$ (898)	\$ 1,372,154
Supplies	71,400	65,692	5,708	100,028
Other services and charges	520,550	474,505	46,045	813,652
Capital outlay	34,150	-	34,150	597,428
Total Public Works Maintenance	<u>2,129,294</u>	<u>2,044,289</u>	<u>85,005</u>	<u>2,883,262</u>
City Engineer:				
Personnel services	632,805	626,112	6,693	360,262
Supplies	5,644	5,936	(292)	8,232
Other services and charges	44,450	33,007	11,443	72,531
Total City Engineer	<u>682,899</u>	<u>665,055</u>	<u>17,844</u>	<u>441,025</u>
<b>TOTAL PUBLIC WORKS</b>	<u>2,812,193</u>	<u>2,709,344</u>	<u>102,849</u>	<u>3,324,287</u>
<b>SANITATION:</b>				
Sanitation Services:				
Personnel services	109,803	110,281	(478)	161,943
Supplies	2,000	56	1,944	836
Other services and charges	1,033,000	1,033,985	(985)	1,025,583
<b>TOTAL SANITATION SERVICES</b>	<u>1,144,803</u>	<u>1,144,322</u>	<u>481</u>	<u>1,188,362</u>
<b>SOCIAL SERVICES:</b>				
Community Mental Health Allocation:				
Personnel services	6,997	5,978	1,019	6,530
Supplies	660	429	231	614
Other services and charges	652	625	27	659
Total Community Mental Health Allocation	<u>8,309</u>	<u>7,032</u>	<u>1,277</u>	<u>7,803</u>
Senior Citizen Program:				
Personnel services	169,973	165,857	4,116	145,371
Supplies	2,550	2,370	180	2,377
Other services and charges	2,700	1,657	1,043	2,820
Total Senior Citizen Program	<u>175,223</u>	<u>169,884</u>	<u>5,339</u>	<u>150,568</u>
State Home Care Service:				
Personnel services	33,154	33,024	130	36,231
Supplies	538	642	(104)	514
Other services and charges	1,960	1,747	213	1,891
Total State Home Care Service	<u>35,652</u>	<u>35,413</u>	<u>239</u>	<u>38,636</u>
MCCOA - Allocation to Senior Services:				
Personnel services	97,235	88,444	8,791	79,298
Supplies	1,600	881	719	1,234
Other charges and services	4,200	3,030	1,170	2,681
Total MCCOA - Allocation to Senior Services	<u>103,035</u>	<u>92,355</u>	<u>10,680</u>	<u>83,213</u>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>MCCOA - Allocation to Match Grants:</b>				
Personnel services	\$ 27,025	\$ 23,578	\$ 3,447	\$ 27,116
Supplies	240	308	(68)	320
Other charges and services	1,100	1,234	(134)	1,038
Total MCCOA - Allocation to Match Grants	<u>28,365</u>	<u>25,120</u>	<u>3,245</u>	<u>28,474</u>
<b>TOTAL SOCIAL SERVICES</b>	<u>350,584</u>	<u>329,804</u>	<u>20,780</u>	<u>308,694</u>
<b>RECREATION AND CULTURE:</b>				
Parks and Recreation Administration:				
Personnel services	241,309	242,334	(1,025)	249,306
Supplies	19,550	29,102	(9,552)	23,054
Other services and charges	107,270	61,641	45,629	107,297
Capital outlay	20,000	-	20,000	199,677
Total Parks and Recreation Administration	<u>388,129</u>	<u>333,077</u>	<u>55,052</u>	<u>579,334</u>
<b>Shiras Pool:</b>				
Personnel services	15,600	14,463	1,137	9,164
Supplies	9,200	3,530	5,670	3,446
Other services and charges	14,750	9,240	5,510	6,914
Total Shiras Pool	<u>39,550</u>	<u>27,233</u>	<u>12,317</u>	<u>19,524</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>427,679</u>	<u>360,310</u>	<u>67,369</u>	<u>598,858</u>
<b>SPECIAL ASSESSMENTS:</b>				
Other Services and charges	25,108	24,847	261	48,726
<b>TOTAL SPECIAL ASSESSMENTS</b>	<u>25,108</u>	<u>24,847</u>	<u>261</u>	<u>48,726</u>
<b>DEBT SERVICE:</b>				
Principal payments	72,324	72,229	95	69,041
Interest payments	30,500	30,558	(58)	33,923
<b>TOTAL DEBT SERVICE</b>	<u>102,824</u>	<u>102,787</u>	<u>37</u>	<u>102,964</u>
<b>TOTAL EXPENDITURES</b>	<u>12,840,611</u>	<u>12,798,227</u>	<u>42,384</u>	<u>13,588,459</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,189,072</u>	<u>1,274,513</u>	<u>(914,559)</u>	<u>1,786,402</u>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	\$ 1,822,000	\$ -	\$ (1,822,000)	\$ -
Transfers In:				
Major Street Fund	-	529,956	529,956	-
Cemetery Trust Fund	24,000	17,760	(6,240)	17,971
<b>Total Operating Transfers In</b>	<b>24,000</b>	<b>547,716</b>	<b>523,716</b>	<b>17,971</b>
Transfers (Out):				
Major Street Fund	(1,026,305)	-	1,026,305	(2,062,300)
Local Street Fund	(784,456)	(682,874)	101,582	(761,837)
Lakeview Arena Fund	(209,957)	(257,723)	(47,766)	(212,910)
1998 Building Authority Lakeview Arena Debt Fund	(127,688)	(127,688)	-	(127,628)
Construction Fund	(1,988,200)	(262,157)	1,726,043	(184,890)
Marina Fund	(59,201)	(152,446)	(93,245)	(111,379)
<b>Total Operating Transfers (Out)</b>	<b>(4,195,807)</b>	<b>(1,482,888)</b>	<b>2,712,919</b>	<b>(3,460,944)</b>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,349,807)</b>	<b>(935,172)</b>	<b>1,414,635</b>	<b>(3,442,973)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(160,735)</b>	<b>339,341</b>	<b>500,076</b>	<b>(1,656,571)</b>
Fund balance, beginning of year	3,696,114	3,696,114	-	5,352,685
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,535,379</b>	<b>\$ 4,035,455</b>	<b>\$ 500,076</b>	<b>\$ 3,696,114</b>

**City of Marquette, Michigan**  
**MAJOR STREET AND TRUNKLINE FUND**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Due from State	\$ 176,963	\$ 98,491
<b>TOTAL ASSETS</b>	<u>\$ 176,963</u>	<u>\$ 98,491</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 6,251	\$ 18,345
Due to other funds	<u>-</u>	<u>80,146</u>
<b>TOTAL LIABILITIES</b>	<u>6,251</u>	<u>98,491</u>
Fund Balance	<u>170,712</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>170,712</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 176,963</u>	<u>\$ 98,491</u>

**City of Marquette, Michigan**

**MAJOR STREET AND TRUNKLINE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 1,069,385	\$ 1,464,257	\$ 394,872	\$ 1,074,497
<b>TOTAL REVENUES</b>	<u>1,069,385</u>	<u>1,464,257</u>	<u>394,872</u>	<u>1,074,497</u>
<b>EXPENDITURES:</b>				
Highways, Streets and Bridges:				
Routine maintenance	354,000	307,755	46,245	355,090
Winter maintenance	534,800	493,093	41,707	522,115
State trunkline	101,876	97,679	4,197	82,281
Administration	301,151	267,431	33,720	331,399
Total Highways, Streets and Bridges	<u>1,291,827</u>	<u>1,165,958</u>	<u>125,869</u>	<u>1,290,885</u>
Capital Outlay - Construction:				
Construction	6,200	-	6,200	132,674
Non-motorized transportation	-	-	-	84,851
Total Capital Outlay - Construction	<u>6,200</u>	<u>-</u>	<u>6,200</u>	<u>217,525</u>
Debt Service:				
Principal retirement	266,356	266,355	1	270,921
Interest and fiscal charges	75,897	75,896	1	88,196
Total Debt Service	<u>342,253</u>	<u>342,251</u>	<u>2</u>	<u>359,117</u>
<b>TOTAL EXPENDITURES</b>	<u>1,640,280</u>	<u>1,508,209</u>	<u>132,071</u>	<u>1,867,527</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(570,895)</u>	<u>(43,952)</u>	<u>526,943</u>	<u>(793,030)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	160,000	-	(160,000)	-
Transfers in:				
General Fund	1,026,305	-	(1,026,305)	2,062,300
Construction Fund	-	744,620	744,620	-
Transfers (out):				
General Fund	-	(529,956)	(529,956)	-
Construction Fund	(615,410)	-	615,410	(1,269,270)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>570,895</u>	<u>214,664</u>	<u>(356,231)</u>	<u>793,030</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>170,712</u>	<u>170,712</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 170,712</u>	<u>\$ 170,712</u>	<u>\$ -</u>



**City of Marquette, Michigan**

**LOCAL STREET FUND**

**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Due from State	<u>\$ 60,545</u>	<u>\$ 29,378</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 60,545</u></u>	<u><u>\$ 29,378</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	<u>\$ 495</u>	<u>\$ 9,655</u>
Due to other funds	<u>60,050</u>	<u>19,723</u>
<b>TOTAL LIABILITIES</b>	<u>60,545</u>	<u>29,378</u>
 Fund Balance	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 60,545</u></u>	<u><u>\$ 29,378</u></u>

**City of Marquette, Michigan**

**LOCAL STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 472,000	\$ 575,373	\$ 103,373	\$ 404,214
<b>TOTAL REVENUES</b>	<b>472,000</b>	<b>575,373</b>	<b>103,373</b>	<b>404,214</b>
<b>EXPENDITURES:</b>				
Highways, Streets and Bridges:				
Routine maintenance	401,400	350,348	51,052	380,399
Winter maintenance	558,500	553,233	5,267	413,826
Administration	297,949	261,172	36,777	251,088
Total Highways, Streets and Bridges	<u>1,257,849</u>	<u>1,164,753</u>	<u>93,096</u>	<u>1,045,313</u>
Capital Outlay - Construction:				
Construction	<u>1,800</u>	<u>274</u>	<u>1,526</u>	<u>7,444</u>
Total Capital Outlay - Construction	<u>1,800</u>	<u>274</u>	<u>1,526</u>	<u>7,444</u>
Debt Service:				
Principal retirement	28,645	28,645	-	14,080
Interest and fiscal charges	<u>8,162</u>	<u>8,162</u>	<u>-</u>	<u>9,059</u>
Total Debt Service	<u>36,807</u>	<u>36,807</u>	<u>-</u>	<u>23,139</u>
<b>TOTAL EXPENDITURES</b>	<b>1,296,456</b>	<b>1,201,834</b>	<b>94,622</b>	<b>1,075,896</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(824,456)</b>	<b>(626,461)</b>	<b>197,995</b>	<b>(671,682)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	1,244,000	-	(1,244,000)	-
Transfers in- General Fund	824,456	682,874	(141,582)	761,837
Transfers (out) - Construction Fund	<u>(1,244,000)</u>	<u>(56,413)</u>	<u>1,187,587</u>	<u>(90,155)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>824,456</b>	<b>626,461</b>	<b>(197,995)</b>	<b>671,682</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Marquette, Michigan**  
**CONSTRUCTION FUND**  
**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 2,812,342	\$ 1,028,635
Accounts receivable	344,526	132,000
Due from other governments	<u>114,873</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,271,741</u></b>	<b><u>\$ 1,160,635</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	<u>\$ 235,464</u>	<u>\$ 1,160,635</u>
<b>TOTAL LIABILITIES</b>	<u>235,464</u>	<u>1,160,635</u>
 Fund Balance	 <u>3,036,277</u>	 <u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>3,036,277</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 3,271,741</u></b>	<b><u>\$ 1,160,635</u></b>

**City of Marquette, Michigan**

**CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State and Federal sources	\$ 905,000	\$ 1,130,984	\$ 225,984	\$ 84,004
Investment income	-	20,252	20,252	-
Private sources	457,000	563,706	106,706	132,000
<b>TOTAL REVENUES</b>	<b>1,362,000</b>	<b>1,714,942</b>	<b>352,942</b>	<b>216,004</b>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public works	4,841,000	1,538,470	3,302,530	293,317
Highways, streets and bridges	5,725,110	1,648,048	4,077,062	670,422
<b>TOTAL EXPENDITURES</b>	<b>10,566,110</b>	<b>3,186,518</b>	<b>7,379,592</b>	<b>963,739</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,204,110)</b>	<b>(1,471,576)</b>	<b>7,732,534</b>	<b>(747,735)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	-	5,178,100	5,178,100	-
Transfers in:				
General Fund	2,166,000	262,157	(1,903,843)	184,890
Major Street Fund	615,410	-	(615,410)	1,269,270
Local Street Fund	1,244,000	56,413	(1,187,587)	90,155
Stormwater Utility Fund	1,899,100	-	(1,899,100)	-
Water & Sewer Fund	3,279,600	-	(3,279,600)	-
Transfers (out):				
Major Street Fund	-	(744,620)	(744,620)	-
Stormwater Utility Fund	-	(75,671)	(75,671)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>9,204,110</b>	<b>4,676,379</b>	<b>(4,527,731)</b>	<b>1,544,315</b>
<b>EXTRAORDINARY ITEM:</b>				
Flood costs	-	(168,526)	(168,526)	(796,580)
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>3,036,277</b>	<b>3,036,277</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 3,036,277</b>	<b>\$ 3,036,277</b>	<b>\$ -</b>

## **City of Marquette, Michigan**

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

##### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions.

**ENVIRONMENTAL PROTECTION FUND:** To account for the State of Michigan Site Reclamation Grant to be used for the environmental clean-up of City owned property at the corner of Washington and McClellan.

**CRIMINAL JUSTICE TRAINING FUND:** To account for the funds received from the State of Michigan for the purpose of ongoing training in the police department.

**MSHDA DOWNTOWN RENTAL FUND:** To account for the expenditures and revenues associated with the Michigan State Housing Development Authority Downtown Rental grant.

**LAKEVIEW ARENA FUND:** To record revenues and expenditures associated with the operation of the Lakeview Arena facility.

##### **DEBT SERVICE FUNDS**

The function of the Debt Service Funds is to account for the accumulation of resources and payment of general obligation principal and interest from the governmental resources. The modified accrual basis of accounting is used in recording Debt Service Fund transactions.

**1991 BUILDING AUTHORITY DEBT SERVICE FUND:** This fund was established in 1991 to account for the retirement of the 1991 Building Authority Bonds. These bonds, totaling \$5,200,000 were issued to construct and equip a new Municipal Service Center.

**1998 BUILDING AUTHORITY MUNICIPAL CENTER DEBT SERVICE FUND:** This fund was established in 1999 to account for the retirement of the 1998 Building Authority Refunding Bonds. These bonds, totaling \$4,535,000, were issued to advance refund a portion of the 1991 Building Authority Bonds.

1998 BUILDING AUTHORITY LAKEVIEW ARENA DEBT SERVICE FUND: This fund was established in 1999 to account for the retirement of the 1998 Building Authority Bonds – Lakeview Arena. These bonds, totaling \$1,000,000, were issued for the purpose of defraying the cost of renovating, constructing, furnishing, and equipping improvements to the existing Lakeview Arena building.

#### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions.

CEMETERY FUND: This fund is used to account for monies received for care of cemetery lots. The principal amount must be maintained intact and invested. Interest earnings are used to offset the City's cost of the cemetery maintenance.

**City of Marquette, Michigan**  
**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

June 30, 2004

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 70,003	\$ -	\$ 512,703	\$ 582,706
Accounts receivable, net	17,255	-	425	17,680
Due from other governments	212,600	-	-	212,600
Due from other funds	48,113	-	-	48,113
Other current assets	648	-	-	648
<b>TOTAL ASSETS</b>	<b>\$ 348,619</b>	<b>\$ -</b>	<b>\$ 513,128</b>	<b>\$ 861,747</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Cash overdraft	\$ 31,466	\$ -	\$ -	\$ 31,466
Accounts payable	51,144	-	-	51,144
Due to other funds	70,906	-	-	70,906
Deferred revenue	150	-	-	150
<b>TOTAL LIABILITIES</b>	<b>153,666</b>	<b>-</b>	<b>-</b>	<b>153,666</b>
<b>FUND BALANCE:</b>				
Reserved for:				
Capital Outlay	25,036	-	-	25,036
Other	2,445	-	513,128	515,573
Unreserved, reported in:				
Special revenue funds	167,472	-	-	167,472
<b>TOTAL FUND BALANCE</b>	<b>194,953</b>	<b>-</b>	<b>513,128</b>	<b>708,081</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 348,619</b>	<b>\$ -</b>	<b>\$ 513,128</b>	<b>\$ 861,747</b>

**City of Marquette, Michigan**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
<b>REVENUES:</b>				
State and Federal sources	\$ 573,042	\$ -	\$ -	\$ 573,042
Charges for services	9,346	-	13,950	23,296
Sales	157,072	-	-	157,072
Admission and usage	314,371	-	-	314,371
Rentals	82,152	-	-	82,152
Investment income	547	-	10,033	10,580
Private contribution	-	-	-	-
Other	47,680	-	-	47,680
<b>TOTAL REVENUES</b>	<b>1,184,210</b>	<b>-</b>	<b>23,983</b>	<b>1,208,193</b>
<b>EXPENDITURES:</b>				
Current operations:				
General government	-	-	100	100
Public health and safety	7,751	-	-	7,751
Community development	510,879	-	-	510,879
Recreation and culture	799,339	-	-	799,339
Capital outlay	-	-	-	-
Debt service				
Retirement of principal	-	260,000	-	260,000
Interest and fiscal charges	-	247,616	-	247,616
<b>TOTAL EXPENDITURES</b>	<b>1,317,969</b>	<b>507,616</b>	<b>100</b>	<b>1,825,685</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(133,759)</b>	<b>(507,616)</b>	<b>23,883</b>	<b>(617,492)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond and loan proceeds	-	-	-	-
Transfers in	257,723	507,616	-	765,339
Transfers (out)	-	-	(17,760)	(17,760)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>257,723</b>	<b>507,616</b>	<b>(17,760)</b>	<b>747,579</b>
<b>EXTRAORDINARY ITEM:</b>				
Flood costs	-	-	-	-
<b>CHANGE IN FUND BALANCE</b>	<b>123,964</b>	<b>-</b>	<b>6,123</b>	<b>130,087</b>
Fund balance, beginning of year	70,989	-	507,005	577,994
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 194,953</b>	<b>\$ -</b>	<b>\$ 513,128</b>	<b>\$ 708,081</b>



**City of Marquette, Michigan**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

June 30, 2004

	Environmental Protection Fund	Criminal Justice Training Fund	MSHDA Downtown Rental Fund	MSHDA Homeowner Repair Fund	Lakeview Arena Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 14,110	\$ 31,857	\$ -	\$ 24,036	\$ 70,003
Accounts receivable, net	-	-	-	14	17,241	17,255
Due from other governments	66,941	-	109,405	36,254	-	212,600
Due from other funds	-	-	-	-	48,113	48,113
Other assets	-	-	-	34	614	648
<b>TOTAL ASSETS</b>	<b>\$ 66,941</b>	<b>\$ 14,110</b>	<b>\$ 141,262</b>	<b>\$ 36,302</b>	<b>\$ 90,004</b>	<b>\$ 348,619</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	\$ -	\$ 31,466	\$ -	\$ 31,466
Accounts payable	-	-	31,212	441	19,491	51,144
Due to other funds	53,673	-	17,233	-	-	70,906
Deferred revenue	-	-	-	-	150	150
<b>TOTAL LIABILITIES</b>	<b>53,673</b>	<b>-</b>	<b>48,445</b>	<b>31,907</b>	<b>19,641</b>	<b>153,666</b>
<b>FUND BALANCE:</b>						
Reserved for:						
Capital Outlay	-	-	-	-	25,036	25,036
Other	-	-	-	-	2,445	2,445
Unreserved	13,268	14,110	92,817	4,395	42,882	167,472
<b>TOTAL FUND BALANCE</b>	<b>13,268</b>	<b>14,110</b>	<b>92,817</b>	<b>4,395</b>	<b>70,363</b>	<b>194,953</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 66,941</b>	<b>\$ 14,110</b>	<b>\$ 141,262</b>	<b>\$ 36,302</b>	<b>\$ 90,004</b>	<b>\$ 348,619</b>

**City of Marquette, Michigan**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	Environmental Protection Fund	Criminal Justice Training Fund	MSHDA Downtown Rental Fund	MSHDA Homeowner Repair Fund	Lakeview Arena Fund	Total
<b>REVENUES:</b>						
State sources	\$ -	\$ 7,741	\$ 460,673	\$ 104,628	\$ -	\$ 573,042
Charges for services	-	-	-	-	9,346	9,346
Sales	-	-	-	-	157,072	157,072
Admission and usage	-	-	-	-	314,371	314,371
Rentals	-	-	-	-	82,152	82,152
Investment income	-	323	223	1	-	547
Other	-	-	35,144	7,422	5,114	47,680
<b>TOTAL REVENUES</b>	-	8,064	496,040	112,051	568,055	1,184,210
<b>EXPENDITURES:</b>						
Current operations:						
Public health and safety	-	7,751	-	-	-	7,751
Community development	-	-	403,223	107,656	-	510,879
Recreation and culture	-	-	-	-	799,339	799,339
<b>TOTAL EXPENDITURES</b>	-	7,751	403,223	107,656	799,339	1,317,969
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	313	92,817	4,395	(231,284)	(133,759)
<b>OTHER FINANCING SOURCES:</b>						
Transfers in	-	-	-	-	257,723	257,723
<b>TOTAL OTHER FINANCING SOURCES</b>	-	-	-	-	257,723	257,723
<b>CHANGES IN FUND BALANCE</b>	-	313	92,817	4,395	26,439	123,964
Fund balance, beginning of year	13,268	13,797	-	-	43,924	70,989
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 13,268</u>	<u>\$ 14,110</u>	<u>\$ 92,817</u>	<u>\$ 4,395</u>	<u>\$ 70,363</u>	<u>\$ 194,953</u>

**City of Marquette, Michigan**  
**ENVIRONMENTAL PROTECTION FUND**  
**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Due from State	\$ 66,941	\$ 66,941
<b>TOTAL ASSETS</b>	<u>\$ 66,941</u>	<u>\$ 66,941</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Due to other funds	\$ 53,673	\$ 53,673
<b>TOTAL LIABILITIES</b>	<u>53,673</u>	<u>53,673</u>
Fund Balance	<u>13,268</u>	<u>13,268</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 66,941</u>	<u>\$ 66,941</u>

**City of Marquette, Michigan**

**ENVIRONMENTAL PROTECTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Private sources	\$ -	\$ -	\$ -	\$ 13,268
Other	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	13,268
<b>EXPENDITURES:</b>				
Public Health and Safety:				
Professional and contractual services	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>CHANGE IN FUND BALANCE</b>	-	-	-	13,268
Fund balance, beginning of year	13,268	13,268	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 13,268</u>	<u>\$ 13,268</u>	<u>\$ -</u>	<u>\$ 13,268</u>

**City of Marquette, Michigan**  
**CRIMINAL JUSTICE TRAINING FUND**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 14,110</u>	<u>\$ 13,797</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,110</u></u>	<u><u>\$ 13,797</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
Fund Balance	<u>14,110</u>	<u>13,797</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 14,110</u></u>	<u><u>\$ 13,797</u></u>

**City of Marquette, Michigan**

**CRIMINAL JUSTICE TRAINING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 8,000	\$ 7,741	\$ (259)	\$ 7,740
Investment income	500	323	(177)	420
<b>TOTAL REVENUES</b>	<u>8,500</u>	<u>8,064</u>	<u>(436)</u>	<u>8,160</u>
<b>EXPENDITURES:</b>				
Public Health and Safety:				
Training	<u>8,500</u>	<u>7,751</u>	<u>749</u>	<u>9,618</u>
<b>TOTAL EXPENDITURES</b>	<u>8,500</u>	<u>7,751</u>	<u>749</u>	<u>9,618</u>
<b>CHANGE IN FUND BALANCE</b>	-	313	313	(1,458)
Fund balance, beginning of year	<u>13,797</u>	<u>13,797</u>	-	<u>15,255</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 13,797</u></u>	<u><u>\$ 14,110</u></u>	<u><u>\$ 313</u></u>	<u><u>\$ 13,797</u></u>

**City of Marquette, Michigan**  
**MSHDA DOWNTOWN RENTAL FUND**  
**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 31,857	\$ -
Due from other governments	<u>109,405</u>	<u>17,711</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 141,262</u></u>	<u><u>\$ 17,711</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Due to other funds	\$ 17,233	\$ 17,233
Accounts payable	<u>31,212</u>	<u>478</u>
<b>TOTAL LIABILITIES</b>	<u>48,445</u>	<u>17,711</u>
 Fund Balance:		
Unreserved	<u>92,817</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>92,817</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 141,262</u></u>	<u><u>\$ 17,711</u></u>

**City of Marquette, Michigan**

**MSHDA DOWNTOWN RENTAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 386,000	\$ 460,673	\$ 74,673	\$ 50,350
Reimbursements	-	-	-	360
Investment income	-	223	223	-
Other	34,000	35,144	1,144	11,672
<b>TOTAL REVENUES</b>	<b>420,000</b>	<b>496,040</b>	<b>76,040</b>	<b>62,382</b>
<b>EXPENDITURES:</b>				
Community Development:				
Salaries and wages	17,500	18,823	(1,323)	27,111
Fringe benefits	10,470	10,655	(185)	15,035
Other services and charges	392,030	373,745	18,285	20,236
<b>TOTAL EXPENDITURES</b>	<b>420,000</b>	<b>403,223</b>	<b>16,777</b>	<b>62,382</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>92,817</b>	<b>92,817</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 92,817</b>	<b>\$ 92,817</b>	<b>\$ -</b>



**City of Marquette, Michigan**  
**MSHDA HOMEOWNER REPAIR FUND**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
Accounts receivable	\$ 14	\$ -
Due from other governments	36,254	-
Prepaid expenditures	<u>34</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 36,302</u></u>	<u><u>\$ -</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Cash overdraft	\$ 31,466	\$ -
Accounts payable	<u>441</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>31,907</u>	<u>-</u>
 Fund Balance:		
Unreserved	<u>4,395</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>4,395</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 36,302</u></u>	<u><u>\$ -</u></u>

**City of Marquette, Michigan**

**MSHDA HOMEOWNER REPAIR FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 113,500	\$ 104,628	\$ (8,872)	\$ -
Investment income	-	1	1	-
Other	8,218	7,422	(796)	-
<b>TOTAL REVENUES</b>	<u>121,718</u>	<u>112,051</u>	<u>(9,667)</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Community Development:				
Salaries and wages	13,500	12,549	951	-
Fringe benefits	8,068	8,536	(468)	-
Other services and charges	100,150	86,571	13,579	-
<b>TOTAL EXPENDITURES</b>	<u>121,718</u>	<u>107,656</u>	<u>14,062</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	-	4,395	4,395	-
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,395</u></u>	<u><u>\$ 4,395</u></u>	<u><u>\$ -</u></u>

City of Marquette, Michigan

LAKEVIEW ARENA FUND

COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,036	\$ 184
Accounts receivable	17,241	24,560
Other assets	614	512
Due from other funds	<u>48,113</u>	<u>48,113</u>
<b>TOTAL ASSETS</b>	<u>\$ 90,004</u>	<u>\$ 73,369</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 19,491	\$ 29,437
Deferred revenue	<u>150</u>	<u>8</u>
<b>TOTAL LIABILITIES</b>	<u>19,641</u>	<u>29,445</u>
 Fund Balance:		
Reserved for capital outlay	25,036	20,036
Reserved for workers' compensation	2,445	1,176
Unreserved	<u>42,882</u>	<u>22,712</u>
<b>TOTAL FUND BALANCE</b>	<u>70,363</u>	<u>43,924</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 90,004</u>	<u>\$ 73,369</u>

**City of Marquette, Michigan**

**LAKEVIEW ARENA FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Charges for services	\$ 7,000	\$ 9,346	\$ 2,346	\$ 10,628
Sales	463,000	157,072	(305,928)	152,834
Use and Admission Fees:				
Ice arena use	60,000	313,076	253,076	304,657
Arena events	-	1,295	1,295	18,539
Total Use and Admission Fees	60,000	314,371	254,371	323,196
Rentals	65,701	82,152	16,451	72,674
Investment income	500	-	(500)	996
Other	6,235	5,114	(1,121)	7,896
<b>TOTAL REVENUES</b>	<b>602,436</b>	<b>568,055</b>	<b>(34,381)</b>	<b>568,224</b>
<b>EXPENDITURES:</b>				
Recreation and Culture:				
Personnel services	350,466	355,472	(5,006)	327,883
Supplies	106,040	106,383	(343)	101,386
Other services and charges	355,887	337,484	18,403	325,827
Total Recreation and Culture	812,393	799,339	13,054	755,096
Capital Outlay:				
Land improvements	-	-	-	2,750
Building improvements	-	-	-	7,686
Equipment	-	-	-	15,602
Total Capital Outlay	-	-	-	26,038
<b>TOTAL EXPENDITURES</b>	<b>812,393</b>	<b>799,339</b>	<b>13,054</b>	<b>781,134</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(209,957)</b>	<b>(231,284)</b>	<b>(21,327)</b>	<b>(212,910)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in- General Fund	209,957	257,723	47,766	212,910
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>209,957</b>	<b>257,723</b>	<b>47,766</b>	<b>212,910</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>26,439</b>	<b>26,439</b>	<b>-</b>
Fund balance, beginning of year	43,924	43,924	-	43,924
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 43,924</b>	<b>\$ 70,363</b>	<b>\$ 26,439</b>	<b>\$ 43,924</b>

**City of Marquette, Michigan**

**NONMAJOR DEBT SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	1998 Municipal Service Center Fund	1998 Lakeview Arena Fund	Total
<b>REVENUES:</b>			
Investment income	\$ -	\$ -	\$ -
Other	-	-	-
<b>TOTAL REVENUES</b>	-	-	-
<b>EXPENDITURES:</b>			
Debt service			
Principal retirement	160,000	100,000	260,000
Interest and fiscal charges	219,928	27,688	247,616
<b>TOTAL EXPENDITURES</b>	379,928	127,688	507,616
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(379,928)	(127,688)	(507,616)
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	379,928	127,688	507,616
<b>TOTAL OTHER FINANCING SOURCES</b>	379,928	127,688	507,616
<b>CHANGES IN FUND BALANCE</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ -

**City of Marquette, Michigan**

**1991 BUILDING AUTHORITY - DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	<u>2004</u>			<u>2003</u>
	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual GAAP Basis</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out:				
Municipal Service Center Fund	-	-	-	(423)
<b>CHANGES IN FUND BALANCE</b>	-	-	-	(423)
Fund balance, beginning of year	-	-	-	423
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Marquette, Michigan**

**1998 BUILDING AUTHORITY MUNICIPAL SERVICE CENTER - DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	160,000	160,000	-	155,000
Interest and fiscal charges	219,928	219,928	-	226,360
<b>TOTAL EXPENDITURES</b>	379,928	379,928	-	381,360
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(379,928)	(379,928)	-	(381,360)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in:				
Municipal Service Center Fund	379,928	379,928	-	381,360
<b>TOTAL OTHER FINANCING SOURCES</b>	379,928	379,928	-	381,360
<b>CHANGES IN FUND BALANCE</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

**City of Marquette, Michigan**

**1998 BUILDING AUTHORITY LAKEVIEW ARENA - DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	100,000	100,000	-	95,000
Interest and fiscal charges	27,688	27,688	-	32,628
<b>TOTAL EXPENDITURES</b>	127,688	127,688	-	127,628
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(127,688)	(127,688)	-	(127,628)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in:				
General Fund	127,688	127,688	-	127,628
<b>TOTAL OTHER FINANCING SOURCES</b>	127,688	127,688	-	127,628
<b>CHANGES IN FUND BALANCE</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**City of Marquette, Michigan**

**CEMETERY FUND**

**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 512,703	\$ 146,667
Investments	-	358,204
Accounts receivable	<u>425</u>	<u>2,134</u>
<b>TOTAL ASSETS</b>	<u>\$ 513,128</u>	<u>\$ 507,005</u>
 <b>FUND BALANCE</b>		
Reserved for Cemetery	<u>\$ 513,128</u>	<u>\$ 507,005</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 513,128</u>	<u>\$ 507,005</u>

**City of Marquette, Michigan**

**CEMETERY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	<u>2004</u>	<u>2003</u>
<b>REVENUES:</b>		
Charges for services	\$ 13,950	\$ 33,191
Investment income	<u>10,033</u>	<u>14,142</u>
<b>TOTAL REVENUES</b>	<u>23,983</u>	<u>47,333</u>
 <b>EXPENDITURES:</b>		
Current operations:		
General government	<u>100</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>100</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>23,883</u>	<u>47,333</u>
 <b>OTHER FINANCING (USES):</b>		
Transfers (out)	<u>(17,760)</u>	<u>(17,971)</u>
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(17,760)</u>	<u>(17,971)</u>
<b>CHANGE IN FUND BALANCE</b>	6,123	29,362
Fund balance, beginning of year	<u>507,005</u>	<u>477,643</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 513,128</u></u>	<u><u>\$ 507,005</u></u>

**City of Marquette, Michigan**

**ENTERPRISE FUNDS**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges.

The accrual basis of accounting is used in recording Enterprise Fund transactions.

The Nonmajor Enterprise Funds of the City are the Marina and Intermodal Transportation Funds. The Major Enterprise Funds of the City are the Water Supply and Sewage Disposal, and Stormwater Utility Funds.

**MARINA FUND:** To account for activity at the City operated marinas.

**INTERMODAL TRANSPORTATION TERMINAL FUND:** To account for operation of the City owned transportation terminal used by the County-wide Mass Transit Bus System.

**WATER SUPPLY AND SEWAGE DISPOSAL FUND:** To account for water and sewer usage.

**STORMWATER UTILITY FUND:** To account for the management of stormwater related activities including billing, maintenance and construction.

**City of Marquette, Michigan**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

	Marina Fund	Intermodal Transportation Terminal Fund	Total
<b>ASSETS</b>			
Current Assets:			
Unamortized bond issue costs	\$ 8,886	\$ -	\$ 8,886
Inventory	19,141	-	19,141
Prepaid expenses	461	-	461
<b>TOTAL CURRENT ASSETS</b>	<b>28,488</b>	<b>-</b>	<b>28,488</b>
Noncurrent Assets:			
Restricted Assets:			
Bond Reserve Fund	277,396	-	277,396
Bond and Interest Redemption Fund	48,616	-	48,616
Total Restricted Assets	326,012	-	326,012
Land and land improvements	-	102,500	102,500
Property, plant, and equipment	3,774,598	1,939,625	5,714,223
Accumulated depreciation	(1,167,511)	(728,327)	(1,895,838)
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,933,099</b>	<b>1,313,798</b>	<b>4,246,897</b>
<b>TOTAL ASSETS</b>	<b>2,961,587</b>	<b>1,313,798</b>	<b>4,275,385</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Cash overdraft	3,888	8,610	12,498
Accounts payable	11,691	2,387	14,078
Due to other funds	168,673	176,699	345,372
Due to other local units	-	138,833	138,833
Customer deposits payable	7,641	-	7,641
Accrued interest payable	5,283	-	5,283
Current portion of long-term debt	75,000	-	75,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>272,176</b>	<b>326,529</b>	<b>598,705</b>
Noncurrent Liabilities:			
Bonds payable	670,000	-	670,000
Deferred amounts on refunding	(33,803)	-	(33,803)
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>636,197</b>	<b>-</b>	<b>636,197</b>
<b>TOTAL LIABILITIES</b>	<b>908,373</b>	<b>326,529</b>	<b>1,234,902</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,862,086	1,313,798	3,175,884
Unrestricted	191,128	(326,529)	(135,401)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,053,214</b>	<b>\$ 987,269</b>	<b>\$ 3,040,483</b>

**City of Marquette, Michigan**

**NONMAJOR ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended June 30, 2004

	<b>Marina Fund</b>	<b>Intermodal Transportation Terminal Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,356	\$ 144,908	\$ 146,264
Other	250,743	1,084	251,827
<b>TOTAL OPERATING REVENUES</b>	<u>252,099</u>	<u>145,992</u>	<u>398,091</u>
<b>OPERATING EXPENSES:</b>			
General and administrative	246,714	134,480	381,194
Depreciation	134,820	38,792	173,612
<b>TOTAL OPERATING EXPENSES</b>	<u>381,534</u>	<u>173,272</u>	<u>554,806</u>
<b>OPERATING (LOSS)</b>	<u>(129,435)</u>	<u>(27,280)</u>	<u>(156,715)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Investment income	2,011	169	2,180
Interest expense	(35,080)	-	(35,080)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(33,069)</u>	<u>169</u>	<u>(32,900)</u>
<b>(LOSS) BEFORE TRANSFERS</b>	<u>(162,504)</u>	<u>(27,111)</u>	<u>(189,615)</u>
Transfers in	152,446	-	152,446
<b>CHANGE IN NET ASSETS</b>	<u>(10,058)</u>	<u>(27,111)</u>	<u>(37,169)</u>
Net assets, beginning of year	2,063,272	1,014,380	3,077,652
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,053,214</u></u>	<u><u>\$ 987,269</u></u>	<u><u>\$ 3,040,483</u></u>

**City of Marquette, Michigan**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2004

	Marina Fund	Intermodal Transportation Terminal Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from fees and charges for services	\$ 251,077	\$ 144,908	\$ 395,985
Other operating revenues	1,022	1,084	2,106
Cash payments to employees for services	(56,707)	(40,328)	(97,035)
Cash payments to suppliers for goods and services	(196,142)	(103,092)	(299,234)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(750)</u>	<u>2,572</u>	<u>1,822</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	152,446	-	152,446
(Decrease) in due to local units	-	(52,234)	(52,234)
Increase in due to other funds	-	35,356	35,356
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>152,446</u>	<u>(16,878)</u>	<u>135,568</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash payments for capital assets	(9,000)	-	(9,000)
Interest paid on bonds	(33,883)	-	(33,883)
Bond issue costs on refunding	(9,201)	-	(9,201)
Deferred amounts on refunding	(35,000)	-	(35,000)
Proceeds on refunding bonds	690,000	-	690,000
Principal payments on bonds	(710,000)	-	(710,000)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(107,084)</u>	<u>-</u>	<u>(107,084)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	2,011	169	2,180
(Increase) in restricted assets - Marina bonds	(50,911)	-	(50,911)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(48,900)</u>	<u>169</u>	<u>(48,731)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(4,288)</u>	<u>(14,137)</u>	<u>(18,425)</u>
Cash and cash equivalents, beginning of year	400	5,527	5,927
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ (3,888)</u>	<u>\$ (8,610)</u>	<u>\$ (12,498)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating (loss)	\$ (129,435)	\$ (27,280)	\$ (156,715)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	134,820	38,792	173,612
Amortization	315	-	315
Change in assets and liabilities:			
(Increase) in inventory	(4,003)	-	(4,003)
(Increase) in prepaid expenses	(77)	-	(77)
Increase in deposits	445	-	445
(Decrease) in accounts payable	(1,015)	(8,940)	(9,955)
(Decrease) in accrued interest payable	(1,800)	-	(1,800)
<b>NET ADJUSTMENTS</b>	<u>128,685</u>	<u>29,852</u>	<u>158,537</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (750)</u>	<u>\$ 2,572</u>	<u>\$ 1,822</u>

**City of Marquette, Michigan**

**MARINA FUND**

**COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 400
Unamortized bond issue costs	8,886	-
Inventory	19,141	15,138
Prepaid expense	<u>461</u>	<u>384</u>
<b>TOTAL CURRENT ASSETS</b>	<u>28,488</u>	<u>15,922</u>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	277,396	275,101
Bond and Interest Redemption Fund	<u>48,616</u>	<u>-</u>
Total Restricted Assets	<u>326,012</u>	<u>275,101</u>
Property, plant and equipment	3,774,598	3,765,598
Allowance for depreciation	<u>(1,167,511)</u>	<u>(1,032,691)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,933,099</u>	<u>3,008,008</u>
<b>TOTAL ASSETS</b>	<u>2,961,587</u>	<u>3,023,930</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdraft	3,888	-
Accounts payable	11,691	12,706
Due to other funds	168,673	168,673
Customer deposits payable	7,641	7,196
Current portion of long-term debt	75,000	55,000
Accrued interest	<u>5,283</u>	<u>7,083</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>272,176</u>	<u>250,658</u>
Noncurrent Liabilities:		
Bonds payable	670,000	710,000
Deferred amount on refunding	<u>(33,803)</u>	<u>-</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>636,197</u>	<u>710,000</u>
<b>TOTAL LIABILITIES</b>	<u>908,373</u>	<u>960,658</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	1,862,086	1,967,907
Unrestricted	<u>191,128</u>	<u>95,365</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,053,214</u>	<u>\$ 2,063,272</u>

**City of Marquette, Michigan**

**MARINA FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
Services	\$ 375	\$ 1,356	\$ 981	\$ 315
Sales of supplies	82,970	80,502	(2,468)	83,054
Use and admission fees	28,235	26,572	(1,663)	48,820
Rentals	140,738	142,647	1,909	102,143
Other	855	1,022	167	1,450
<b>TOTAL OPERATING REVENUES</b>	<b>253,173</b>	<b>252,099</b>	<b>(1,074)</b>	<b>235,782</b>
<b>OPERATING EXPENSES:</b>				
Administrative and General Expenses:				
Personnel services	68,187	56,707	11,480	51,498
Professional services	19,352	70,698	(51,346)	17,839
Supplies	10,300	6,402	3,898	8,845
Utilities	18,860	18,616	244	18,552
Cost of sales	80,750	74,946	5,804	68,403
Other services and charges	19,475	19,030	445	26,484
Amortization	-	315	(315)	-
Provision for depreciation	129,112	134,820	(5,708)	149,271
<b>TOTAL OPERATING EXPENSES</b>	<b>346,036</b>	<b>381,534</b>	<b>(35,498)</b>	<b>340,892</b>
<b>OPERATING (LOSS)</b>	<b>(92,863)</b>	<b>(129,435)</b>	<b>(36,572)</b>	<b>(105,110)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	2,050	2,011	(39)	2,898
Interest expense	(42,500)	(35,080)	7,420	(44,842)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(40,450)</b>	<b>(33,069)</b>	<b>7,381</b>	<b>(41,944)</b>
<b>(LOSS) BEFORE TRANSFERS</b>	<b>(133,313)</b>	<b>(162,504)</b>	<b>(29,191)</b>	<b>(147,054)</b>
Transfers in	59,201	152,446	93,245	111,379
<b>CHANGE IN NET ASSETS</b>	<b>(74,112)</b>	<b>(10,058)</b>	<b>64,054</b>	<b>(35,675)</b>
Net assets, beginning of year	2,063,272	2,063,272	-	2,098,947
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,989,160</b>	<b>\$ 2,053,214</b>	<b>\$ 64,054</b>	<b>\$ 2,063,272</b>



**City of Marquette, Michigan**

**INTERMODAL TRANSPORTATION TERMINAL FUND**

**COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 5,527
<b>TOTAL CURRENT ASSETS</b>	<u>-</u>	<u>5,527</u>
Noncurrent Assets:		
Land	102,500	102,500
Property, plant and equipment	1,939,625	1,939,625
Allowance for depreciation	<u>(728,327)</u>	<u>(689,535)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,313,798</u>	<u>1,352,590</u>
<b>TOTAL ASSETS</b>	<u>1,313,798</u>	<u>1,358,117</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdraft	8,610	-
Accounts payable	2,387	11,327
Due to other funds	176,699	141,343
Due to local units	<u>138,833</u>	<u>191,067</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>326,529</u>	<u>343,737</u>
<b>TOTAL LIABILITIES</b>	<u>326,529</u>	<u>343,737</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,313,798	1,352,590
Unrestricted	<u>(326,529)</u>	<u>(338,210)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 987,269</u>	<u>\$ 1,014,380</u>

**City of Marquette, Michigan**

**INTERMODAL TRANSPORTATION TERMINAL FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
Rentals	\$ 139,600	\$ 144,908	\$ 5,308	\$ 130,367
Other	600	1,084	484	916
<b>TOTAL OPERATING REVENUES</b>	<u>140,200</u>	<u>145,992</u>	<u>5,792</u>	<u>131,283</u>
<b>OPERATING EXPENSES:</b>				
Administrative and General Expenses:				
Personnel services	36,400	40,328	(3,928)	35,251
Professional services	12,900	15,786	(2,886)	17,219
Supplies	2,000	2,650	(650)	5,159
Utilities	34,800	39,970	(5,170)	38,927
Other services and charges	54,100	35,746	18,354	45,923
Provision for depreciation	38,800	38,792	8	38,793
<b>TOTAL OPERATING EXPENSES</b>	<u>179,000</u>	<u>173,272</u>	<u>5,728</u>	<u>181,272</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(38,800)</u>	<u>(27,280)</u>	<u>11,520</u>	<u>(49,989)</u>
<b>NONOPERATING REVENUES:</b>				
Investment income	-	169	169	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>-</u>	<u>169</u>	<u>169</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(38,800)</u>	<u>(27,111)</u>	<u>11,689</u>	<u>(49,989)</u>
Net assets, beginning of year	1,014,380	1,014,380	-	1,064,369
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 975,580</u>	<u>\$ 987,269</u>	<u>\$ 11,689</u>	<u>\$ 1,014,380</u>

**City of Marquette, Michigan**

**WATER SUPPLY AND SEWAGE DISPOSAL FUND**

**COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2004 and 2003

	2004	2003
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,070,975	\$ 5,922,897
Delinquent utility bills on taxes	5,618	9,869
Customer deposits	23,368	23,646
Accounts receivable - net	911,135	979,299
Special assessments receivable	124,638	144,630
Due from other governments	3,078,861	-
Unamortized bond issuance cost	123,238	129,467
Inventory	134,157	126,771
Prepaid expenses	3,525	2,688
<b>TOTAL CURRENT ASSETS</b>	<b>9,475,515</b>	<b>7,339,267</b>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	2,323	151,828
Replacement Maintenance Fund	390,000	390,000
Bond and Interest Redemption Fund	25,227	25,064
Water Filtration Reserve	1,093,655	1,122,939
Bond Escrow Fund	334,141	284,636
Vacation, Sick Leave and Benefit Days Reserve	149,928	133,749
<b>Total Restricted Assets</b>	<b>1,995,274</b>	<b>2,108,216</b>
Property, plant and equipment	39,487,575	37,103,784
Allowance for depreciation	(11,238,528)	(10,483,877)
Investment in Wastewater Facility	2,909,394	2,911,499
<b>TOTAL NONCURRENT ASSETS</b>	<b>33,153,715</b>	<b>31,639,622</b>
<b>TOTAL ASSETS</b>	<b>42,629,230</b>	<b>38,978,889</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	654,540	204,180
Accrued sick and vacation	149,928	133,749
Due to Marquette Area Wastewater Treatment Facility	-	99,130
Customer deposits payable	23,368	23,646
Current portion of notes payable	18,418	17,550
Current portion of capitalized lease payable	117,089	113,312
Accrued interest payable	33,815	51,495
Deferred revenue - special assessment	124,638	144,630
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,121,796</b>	<b>787,692</b>
Current Liabilities (payable from restricted assets):		
Current portion of bonds payable	620,000	515,000
Noncurrent Liabilities:		
Bonds payable	5,500,000	5,835,000
Notes payable	131,573	149,897
Loan payable	3,470,000	-
Capitalized leases payable	483,464	600,552
Premium on refunding	64,055	-
Deferred amounts on refunding	(311,114)	(24,852)
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,337,978</b>	<b>6,560,597</b>
<b>TOTAL LIABILITIES</b>	<b>11,079,774</b>	<b>7,863,289</b>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	21,979,056	20,102,460
Net Assets:		
Restricted for debt service	1,845,346	1,974,467
Unrestricted	7,725,054	9,038,673
<b>TOTAL NET ASSETS</b>	<b>\$ 31,549,456</b>	<b>\$ 31,115,600</b>

**City of Marquette, Michigan**

**WATER SUPPLY AND SEWAGE DISPOSAL FUND**

**SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
Water:				
Metered sales	\$ 1,925,000	\$ 1,937,143	\$ 12,143	\$ 1,959,552
Sales to public authorities	66,000	59,448	(6,552)	61,580
Non-tax customers	1,215,000	1,253,843	38,843	1,225,526
City departments	43,000	34,406	(8,594)	42,187
Rentals	5,000	3,273	(1,727)	6,341
Miscellaneous income	77,600	138,811	61,211	128,273
Sewage Disposal:				
Metered sales	1,530,000	1,524,670	(5,330)	1,545,605
Sales to public authorities	39,000	40,085	1,085	38,078
Non-tax customers	660,000	675,047	15,047	682,764
City departments	17,500	11,005	(6,495)	17,325
Miscellaneous income	3,500	2,403	(1,097)	4,832
<b>TOTAL OPERATING REVENUES</b>	<b>5,581,600</b>	<b>5,680,134</b>	<b>98,534</b>	<b>5,712,063</b>
<b>OPERATING EXPENSES:</b>				
Administrative and General:				
Salaries and wages	178,912	186,916	(8,004)	175,750
Fringe benefits	287,253	278,231	9,022	270,193
Supplies	31,900	20,945	10,955	18,386
Professional and contractual	216,688	481,900	(265,212)	245,460
Communications	2,300	1,826	474	1,792
Insurance and bonds	47,300	56,852	(9,552)	47,229
Utilities	635	633	2	633
Maintenance	1,300	833	467	1,260
Rental	28,200	26,776	1,424	27,681
Contingencies	45,000	-	45,000	-
Miscellaneous	4,800	2,518	2,282	2,368
Uncollectible accounts	225	22,075	(21,850)	165,000
Provision for depreciation	724,380	754,651	(30,271)	724,371
Employee safety expense	500	329	171	552
Schooling	3,000	2,794	206	2,084
Payment in lieu of taxes	675,710	658,340	17,370	697,522
Amortization	10,050	15,269	(5,219)	10,050
<b>Total Administrative and General</b>	<b>2,258,153</b>	<b>2,510,888</b>	<b>(252,735)</b>	<b>2,390,331</b>
Water Treatment and Distribution:				
Salaries and wages	586,760	561,242	25,518	582,808
Operating supplies	126,600	107,352	19,248	89,683
Professional and contractual	177,724	18,214	159,510	24,501
Communications	2,000	1,039	961	1,824
Utilities	188,500	188,527	(27)	183,942
Maintenance	3,000	620	2,380	33,342
Rental	240,550	213,563	26,987	229,900
Miscellaneous	100	-	100	203
Schooling	4,000	1,675	2,325	2,816
<b>Total Water Treatment and Distribution</b>	<b>1,329,234</b>	<b>1,092,232</b>	<b>237,002</b>	<b>1,149,019</b>

**City of Marquette, Michigan**

**WATER SUPPLY AND SEWAGE DISPOSAL FUND**

**SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Sanitary Sewer Operation and Booster Stations:				
Salaries and wages	\$ 207,775	\$ 186,447	\$ 21,328	\$ 210,613
Operating supplies and repairs	42,000	33,916	8,084	33,716
Professional and contractual	121,224	9,734	111,490	32,142
Communications	4,000	3,568	432	3,770
Utilities	41,400	31,105	10,295	38,132
Purchased wastewater services	1,251,845	1,103,018	148,827	925,162
Rental	179,200	184,348	(5,148)	183,584
Total Sanitary Sewer Operation and Booster Stations	<u>1,847,444</u>	<u>1,552,136</u>	<u>295,308</u>	<u>1,427,119</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>5,434,831</u>	<u>5,155,256</u>	<u>279,575</u>	<u>4,966,469</u>
<b>OPERATING INCOME</b>	<u>146,769</u>	<u>524,878</u>	<u>378,109</u>	<u>745,594</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	235,200	205,287	(29,913)	292,051
Interest expense	(393,700)	(294,204)	99,496	(429,740)
Net gain (loss) on sale of fixed assets	-	-	-	(42,728)
Operating income from Marquette Area Wastewater Treatment Facility	-	(2,105)	(2,105)	(52,407)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(158,500)</u>	<u>(91,022)</u>	<u>67,478</u>	<u>(232,824)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(11,731)</u>	<u>433,856</u>	<u>445,587</u>	<u>512,770</u>
Net assets, beginning of year	<u>31,115,600</u>	<u>31,115,600</u>	<u>-</u>	<u>30,602,830</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 31,103,869</u>	<u>\$ 31,549,456</u>	<u>\$ 445,587</u>	<u>\$ 31,115,600</u>

**City of Marquette, Michigan**  
**STORMWATER UTILITY FUND**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,277,299	\$ 1,967,605
Accounts receivable	415,495	350,354
Allowance for uncollectible accounts	(355,350)	(297,600)
Unamortized bond issuance cost	59,520	67,222
Prepaid expense	234	206
<b>TOTAL CURRENT ASSETS</b>	<u>1,397,198</u>	<u>2,087,787</u>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	250,573	263,309
Bond Escrow Fund	38,257	38,171
Vacation, Sick Leave, and Benefit Days Reserve	3,538	2,589
Total Restricted Assets	<u>292,368</u>	<u>304,069</u>
Property, plant and equipment	4,718,768	3,974,927
Allowance for depreciation	(805,595)	(647,151)
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,205,541</u>	<u>3,631,845</u>
<b>TOTAL ASSETS</b>	<u>5,602,739</u>	<u>5,719,632</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	496	12,433
Accrued sick and vacation	3,538	2,589
Accrued interest payable	7,049	7,797
Current portion of long-term debt	215,000	205,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>226,083</u>	<u>227,819</u>
Noncurrent Liabilities:		
Bonds payable	1,295,000	1,510,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,295,000</u>	<u>1,510,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,521,083</u>	<u>1,737,819</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	2,403,173	1,612,776
Net Assets:		
Restricted for debt service	288,830	301,480
Unrestricted	1,389,653	2,067,557
<b>TOTAL NET ASSETS</b>	<u>\$ 4,081,656</u>	<u>\$ 3,981,813</u>

**City of Marquette, Michigan**

**STORMWATER UTILITY FUND**

**SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
General customers	\$ 310,000	\$ 308,736	\$ (1,264)	\$ 309,778
Public authorities	17,150	17,148	(2)	17,148
Non-tax customers	116,000	116,075	75	119,290
City departments	217,000	216,992	(8)	216,992
Other charges for service	400	1,107	707	334
<b>TOTAL OPERATING REVENUES</b>	<b>660,550</b>	<b>660,058</b>	<b>(492)</b>	<b>663,542</b>
<b>OPERATING EXPENSES:</b>				
Routine Maintenance and Administration:				
Salaries and wages	123,000	113,285	9,715	109,673
Fringe benefits	91,113	71,112	20,001	50,348
Office supplies	850	962	(112)	622
Maintenance supplies	10,000	9,359	641	11,030
Professional and contractual	98,042	104,889	(6,847)	142,627
Rental vehicles	60,000	84,481	(24,481)	75,746
Utilities	450	450	-	450
Amortization	8,405	7,703	702	8,403
Uncollectible accounts	-	57,750	(57,750)	297,803
Provision for depreciation	135,270	158,443	(23,173)	136,077
Miscellaneous	1,500	136	1,364	275
<b>TOTAL OPERATING EXPENSES</b>	<b>528,630</b>	<b>608,570</b>	<b>(79,940)</b>	<b>833,054</b>
<b>OPERATING INCOME (LOSS)</b>	<b>131,920</b>	<b>51,488</b>	<b>(80,432)</b>	<b>(169,512)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	55,000	55,991	991	81,088
Interest expense	(84,590)	(83,843)	747	(93,560)
State and Federal grants	105,599	536	(105,063)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>76,009</b>	<b>(27,316)</b>	<b>(103,325)</b>	<b>(12,472)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>207,929</b>	<b>24,172</b>	<b>(183,757)</b>	<b>(181,984)</b>
Transfers in	-	75,671	75,671	-
<b>CHANGE IN NET ASSETS</b>	<b>207,929</b>	<b>99,843</b>	<b>(108,086)</b>	<b>(181,984)</b>
Net assets, beginning of year	3,981,813	3,981,813	-	4,163,797
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,189,742</b>	<b>\$ 4,081,656</b>	<b>\$ (108,086)</b>	<b>\$ 3,981,813</b>

**City of Marquette, Michigan**

**INTERNAL SERVICE FUNDS**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

The function of the Internal Service Funds is to account for funds that are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

**MOTOR VEHICLE EQUIPMENT FUND:** To operate as a self-supporting fund, which will be responsible for the maintenance and purchasing of vehicles and equipment utilized in various departments of the City.

**MUNICIPAL SERVICE CENTER FUND:** To accumulate the expenses and revenues associated with the operation of the Municipal Service Center. Building space is rented to various funds based on a square foot occupancy rate.



**City of Marquette, Michigan**  
**ALL INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2004

	<b>Motor Vehicle Equipment Fund</b>	<b>Municipal Service Center Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 211,633	\$ 126,370	\$ 338,003
Accounts receivable, net	9,489	-	9,489
Due from local units	2,228	-	2,228
Inventory	13,000	-	13,000
Prepaid expenses	2,446	278	2,724
<b>TOTAL CURRENT ASSETS</b>	<b>238,796</b>	<b>126,648</b>	<b>365,444</b>
Noncurrent Assets:			
Restricted Assets:			
Replacement and maintenance fund	845,171	-	845,171
Vacation, sick leave and benefit reserve	115,066	4,386	119,452
Total Restricted Assets	960,237	4,386	964,623
Long-term receivables	28,749	-	28,749
Land and land improvements	-	251,454	251,454
Property, plant, and equipment	8,335,104	6,803,733	15,138,837
Accumulated depreciation	(5,423,470)	(2,315,066)	(7,738,536)
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,900,620</b>	<b>4,744,507</b>	<b>8,645,127</b>
<b>TOTAL ASSETS</b>	<b>4,139,416</b>	<b>4,871,155</b>	<b>9,010,571</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	112,740	5,523	118,263
Accrued sick and vacation	115,066	4,386	119,452
<b>TOTAL CURRENT LIABILITIES</b>	<b>227,806</b>	<b>9,909</b>	<b>237,715</b>
<b>TOTAL LIABILITIES</b>	<b>227,806</b>	<b>9,909</b>	<b>237,715</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	2,911,634	4,740,122	7,651,756
Net Assets:			
Unrestricted	999,976	121,124	1,121,100
<b>TOTAL NET ASSETS</b>	<b>\$ 3,911,610</b>	<b>\$ 4,861,246</b>	<b>\$ 8,772,856</b>

City of Marquette, Michigan

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004

	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,793,485	\$ 637,806	\$ 2,431,291
Other	35,720	4,267	39,987
<b>TOTAL OPERATING REVENUES</b>	<b>1,829,205</b>	<b>642,073</b>	<b>2,471,278</b>
<b>OPERATING EXPENSES:</b>			
General and administrative	608,761	245,920	854,681
Depreciation	575,095	200,445	775,540
Vehicle operating expenses	920,020	-	920,020
<b>TOTAL OPERATING EXPENSES</b>	<b>2,103,876</b>	<b>446,365</b>	<b>2,550,241</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(274,671)</b>	<b>195,708</b>	<b>(78,963)</b>
<b>NON-OPERATING REVENUES:</b>			
Investment income	11,590	10,788	22,378
Gain on sale of fixed assets	26,378	-	26,378
<b>TOTAL NON-OPERATING REVENUES</b>	<b>37,968</b>	<b>10,788</b>	<b>48,756</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(236,703)</b>	<b>206,496</b>	<b>(30,207)</b>
Transfers (out)	-	(379,928)	(379,928)
<b>CHANGE IN NET ASSETS</b>	<b>(236,703)</b>	<b>(173,432)</b>	<b>(410,135)</b>
Net assets, beginning of year	4,148,313	5,034,678	9,182,991
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,911,610</b>	<b>\$ 4,861,246</b>	<b>\$ 8,772,856</b>

**City of Marquette, Michigan**

**ALL INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2004

	<b>Motor Vehicle Equipment Fund</b>	<b>Municipal Service Center Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from fees and charges for services	\$ 1,790,943	\$ 637,806	\$ 2,428,749
Other operating revenues	35,720	4,267	39,987
Cash payments to employees for services	(523,426)	(53,589)	(577,015)
Cash payments to suppliers for goods and services	(1,366,116)	(201,672)	(1,567,788)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(62,879)</b>	<b>386,812</b>	<b>323,933</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers (out)	-	(379,928)	(379,928)
(Increase) in due from local units	(2,034)	-	(2,034)
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(2,034)</b>	<b>(379,928)</b>	<b>(381,962)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash payments for capital assets	(680,358)	(638,110)	(1,318,468)
Proceeds from sale of capital assets	26,378	-	26,378
Payments received on notes receivable	10,536	-	10,536
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(643,444)</b>	<b>(638,110)</b>	<b>(1,281,554)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	11,590	10,788	22,378
(Increase) decrease in restricted assets:			
Equipment reserve	(6,965)	-	(6,965)
Vacation and sick leave reserve	4,332	(3,858)	474
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>8,957</b>	<b>6,930</b>	<b>15,887</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(699,400)</b>	<b>(624,296)</b>	<b>(1,323,696)</b>
Cash and cash equivalents, beginning of year	911,033	750,666	1,661,699
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 211,633</b>	<b>\$ 126,370</b>	<b>\$ 338,003</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (274,671)	\$ 195,708	\$ (78,963)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	575,095	200,445	775,540
Change in assets and liabilities:			
(Increase) in accounts receivable	(2,542)	-	(2,542)
(Increase) in inventory	(74)	-	(74)
(Increase) decrease in prepaid expenses	(402)	46	(356)
(Decrease) in accounts payable	(355,953)	(13,245)	(369,198)
Increase (decrease) in accrued sick and vacation	(4,332)	3,858	(474)
<b>NET ADJUSTMENTS</b>	<b>211,792</b>	<b>191,104</b>	<b>402,896</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (62,879)</b>	<b>\$ 386,812</b>	<b>\$ 323,933</b>

**City of Marquette, Michigan**  
**MOTOR VEHICLE EQUIPMENT FUND**  
**COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 211,633	\$ 911,033
Accounts receivable	9,489	6,947
Due from local units	2,228	194
Inventory	13,000	12,926
Prepaid expense	2,446	2,044
	<u>238,796</u>	<u>933,144</u>
<b>TOTAL CURRENT ASSETS</b>		
Noncurrent Assets:		
Restricted Assets:		
Equipment reserve	845,171	838,206
Vacation, sick leave and benefit day reserve	115,066	119,398
Total Restricted Assets	<u>960,237</u>	<u>957,604</u>
Long term notes receivable	28,749	39,285
Property, plant and equipment	8,335,104	7,654,746
Allowance for depreciation	<u>(5,423,470)</u>	<u>(4,848,375)</u>
	<u>3,900,620</u>	<u>3,803,260</u>
<b>TOTAL NONCURRENT ASSETS</b>		
	<u>4,139,416</u>	<u>4,736,404</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	112,740	468,693
Accrued sick and vacation	115,066	119,398
	<u>227,806</u>	<u>588,091</u>
<b>TOTAL CURRENT LIABILITIES</b>		
	<u>227,806</u>	<u>588,091</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in capital assets	2,911,634	2,806,371
Unrestricted	<u>999,976</u>	<u>1,341,942</u>
	<u>3,911,610</u>	<u>4,148,313</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,911,610</u>	<u>\$ 4,148,313</u>

**City of Marquette, Michigan**

**MOTOR VEHICLE EQUIPMENT FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
Rentals	\$ 1,810,900	\$ 1,793,485	\$ (17,415)	\$ 1,902,494
Other	7,100	35,720	28,620	10,237
<b>TOTAL OPERATING REVENUES</b>	<b>1,818,000</b>	<b>1,829,205</b>	<b>11,205</b>	<b>1,912,731</b>
<b>OPERATING EXPENSES:</b>				
Vehicle Operating Expenses:				
Personnel services	580,129	519,094	61,035	518,341
Repairs and maintenance	230,000	174,890	55,110	243,218
Fuel	162,500	122,643	39,857	113,132
Supplies	15,000	25,813	(10,813)	24,038
Vehicle insurance	70,000	65,760	4,240	65,398
Rentals	16,000	11,820	4,180	11,953
Total Vehicle Operating Expenses	1,073,629	920,020	153,609	976,080
Administrative and General Expenses:				
Rentals	550,000	550,020	(20)	527,400
Professional services	48,141	54,336	(6,195)	46,962
Supplies	1,300	1,458	(158)	1,506
Other services and charges	6,500	2,947	3,553	4,062
Provision for depreciation	411,160	575,095	(163,935)	455,354
Total Administrative and General Expenses	1,017,101	1,183,856	(166,755)	1,035,284
<b>TOTAL OPERATING EXPENSES</b>	<b>2,090,730</b>	<b>2,103,876</b>	<b>(13,146)</b>	<b>2,011,364</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(272,730)</b>	<b>(274,671)</b>	<b>(1,941)</b>	<b>(98,633)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	25,000	11,590	(13,410)	32,575
Sale of fixed assets	18,000	26,378	8,378	10,476
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>43,000</b>	<b>37,968</b>	<b>(5,032)</b>	<b>43,051</b>
<b>CHANGE IN NET ASSETS</b>	<b>(229,730)</b>	<b>(236,703)</b>	<b>(6,973)</b>	<b>(55,582)</b>
Net assets, beginning of year	4,148,313	4,148,313	-	4,203,895
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,918,583</b>	<b>\$ 3,911,610</b>	<b>\$ (6,973)</b>	<b>\$ 4,148,313</b>

**City of Marquette, Michigan**  
**MUNICIPAL SERVICE CENTER FUND**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 126,370	\$ 750,666
Prepaid expense	<u>278</u>	<u>324</u>
<b>TOTAL CURRENT ASSETS</b>	<u>126,648</u>	<u>750,990</u>
Noncurrent Assets:		
Restricted Assets:		
Vacation, Sick Leave and Benefit Day Reserve	<u>4,386</u>	<u>528</u>
Total Restricted Assets	<u>4,386</u>	<u>528</u>
Land	245,566	245,566
Land improvements	5,888	5,888
Property, plant and equipment	6,803,733	6,165,623
Allowance for depreciation	<u>(2,315,066)</u>	<u>(2,114,621)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,744,507</u>	<u>4,302,984</u>
<b>TOTAL ASSETS</b>	<u>4,871,155</u>	<u>5,053,974</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	5,523	18,768
Accrued sick and vacation	<u>4,386</u>	<u>528</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,909</u>	<u>19,296</u>
<b>TOTAL LIABILITIES</b>	<u>9,909</u>	<u>19,296</u>
<b>NET ASSETS</b>		
Invested in capital assets	4,740,122	4,302,456
Unrestricted	<u>121,124</u>	<u>732,222</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,861,246</u>	<u>\$ 5,034,678</u>

**City of Marquette, Michigan**

**MUNICIPAL SERVICE CENTER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		2003	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OPERATING REVENUES:</b>				
Rentals	\$ 637,800	\$ 637,806	\$ 6	\$ 703,350
Other	4,000	4,267	267	3,999
<b>TOTAL OPERATING REVENUES</b>	<b>641,800</b>	<b>642,073</b>	<b>273</b>	<b>707,349</b>
<b>OPERATING EXPENSES:</b>				
Administrative and General Expenses:				
Personnel services	34,714	57,447	(22,733)	57,670
Professional services	66,600	52,039	14,561	61,832
Supplies	17,000	21,730	(4,730)	30,289
Utilities	67,400	70,673	(3,273)	70,673
Other services and charges	67,158	44,031	23,127	47,253
Provision for depreciation	205,900	200,445	5,455	205,898
<b>TOTAL OPERATING EXPENSES</b>	<b>458,772</b>	<b>446,365</b>	<b>12,407</b>	<b>473,615</b>
<b>OPERATING INCOME (LOSS)</b>	<b>183,028</b>	<b>195,708</b>	<b>12,680</b>	<b>233,734</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	16,000	10,788	(5,212)	22,657
Loss on sale of fixed assets	-	-	-	(13,591)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>16,000</b>	<b>10,788</b>	<b>(5,212)</b>	<b>9,066</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>199,028</b>	<b>206,496</b>	<b>7,468</b>	<b>242,800</b>
Transfers in	-	-	-	423
Transfers (out)	(379,928)	(379,928)	-	(381,360)
<b>CHANGE IN NET ASSETS</b>	<b>(180,900)</b>	<b>(173,432)</b>	<b>7,468</b>	<b>(138,137)</b>
Net assets, beginning of year	5,034,678	5,034,678	-	5,172,815
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,853,778</b>	<b>\$ 4,861,246</b>	<b>\$ 7,468</b>	<b>\$ 5,034,678</b>

## **City of Marquette, Michigan**

### **FIDUCIARY FUNDS**

#### **INDIVIDUAL FUND STATEMENTS**

The function of Fiduciary funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

**SPECIAL ACTIVITIES PRIVATE-PURPOSE TRUST FUND:** This fund is used to account for the contributions from private sources restricted for special projects. The City is holding these monies in a trustee capacity.

**PENSION TRUST FUND:** The Fire-Police Retirement System Fund is used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by employees at fixed rates and by the City at amounts determined by an annual actuarial valuation.

**AGENCY FUND:** This fund is used to record the collection and payment of property taxes billed and collected by the City on behalf of the County, the School Districts, and the Intermediate School District. It is also used as a payroll clearing account type, which receives reimbursing payments from other funds.

The Pension Trust Fund is accounted for using the accrual basis of accounting. The Agency Fund and Private-Purpose Trust Funds are accounted for using the modified accrual basis of accounting.



**City of Marquette, Michigan**

**SPECIAL ACTIVITIES PRIVATE-PURPOSE TRUST FUND**

**COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	<u>\$ 375,820</u>	<u>\$ 518,574</u>
<b>TOTAL ASSETS</b>	<u>375,820</u>	<u>518,574</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>37,465</u>	<u>4,419</u>
<b>TOTAL LIABILITIES</b>	<u>37,465</u>	<u>4,419</u>
 <b>NET ASSETS</b>		
Waterfront Property	4,630	217,301
Neck of Presque Isle Park	1,538	7,560
Iron Bay Business Park	(3,036)	(1,078)
L.G. Kaufman Ski Hill	11,673	11,418
Insurance Program	38,952	78,732
MUSTFAA Insurance	57,253	16,149
Senior Citizens Trust	14,374	15,220
Senior Citizens Grants	21,894	22,278
Finland Sister City	1,855	1,818
Japan Sister City Campaign	924	487
Williams Park Improvement	13	13
McCarty's Cove	166	5,885
Presque Isle Walking Path	6,356	6,217
Heritage Tree	2,943	2,895
Harlow Park Playground Equipment	232	227
Tourist Park Development	31,331	30,647
Mobile Fire Safety House	4,629	4,133
Softball Insurance Fees	352	352
Fire Belltower Paver Bricks	2,935	5,580
Fire Belltower Other	1,082	1,059
Seized Property	24,377	25,265
Drug Dog	6,114	-
Disaster Contingency	5,055	4,944
Potter's Field	181	678
Hiebel Memorial	8,355	4,808
D.A.R.E. Program	2,809	3,478
City Gift Program	14,973	15,500
Sanitation Fee for Land Purchase and Development	69,571	-
Fuel Surcharge	<u>6,824</u>	<u>32,589</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 338,355</u></u>	<u><u>\$ 514,155</u></u>

City of Marquette, Michigan

FIRE-POLICE RETIREMENT SYSTEM PENSION TRUST FUND

COMPARATIVE STATEMENT OF PLAN NET ASSETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 485,709	\$ 502,752
Investments	24,407,848	23,639,645
Accrued interest receivable	<u>101,038</u>	<u>140,352</u>
<b>TOTAL ASSETS</b>	<u>24,994,595</u>	<u>24,282,749</u>
 <b>LIABILITIES</b>		
Accounts payable and other	<u>160</u>	<u>246</u>
 <b>NET ASSETS HELD IN TRUST FOR PENSION</b>	<u><u>\$ 24,994,435</u></u>	<u><u>\$ 24,282,503</u></u>

**City of Marquette, Michigan**

**AGENCY FUND**

**COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,585,176	\$ 567,339
Accounts receivable	1,254	522
Taxes receivable - delinquent personal	<u>78,995</u>	<u>70,853</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,665,425</u></u>	<u><u>\$ 638,714</u></u>
 <b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 868	\$ -
Contract retainage payable	194,753	88,418
Accrued wages and related liabilities	1,077,928	366,929
Due to other governments	18,995	16,355
Due to State	14,177	15,146
Due to local units	358,009	151,739
Other liabilities	<u>695</u>	<u>127</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,665,425</u></u>	<u><u>\$ 638,714</u></u>

**City of Marquette, Michigan**

**AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the Fiscal Year Ended June 30, 2004

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 567,339	\$ 30,959,101	\$ 29,941,264	\$ 1,585,176
Accounts receivable	522	1,254	522	1,254
Taxes receivable - delinquent personal	<u>70,853</u>	<u>59,234</u>	<u>51,092</u>	<u>78,995</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 638,714</u></u>	<u><u>\$ 31,019,589</u></u>	<u><u>\$ 29,992,878</u></u>	<u><u>\$ 1,665,425</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 15,661,015	\$ 15,660,147	\$ 868
Contract retainage payable	88,418	392,039	285,704	194,753
Accrued wages and related liabilities	366,929	5,197,739	4,486,740	1,077,928
Due to other governments	16,355	3,342,746	3,340,106	18,995
Due to State	15,146	2,216,783	2,217,752	14,177
Due to local units	151,739	6,882,682	6,676,412	358,009
Other liabilities	<u>127</u>	<u>32,572</u>	<u>32,004</u>	<u>695</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 638,714</u></u>	<u><u>\$ 33,725,576</u></u>	<u><u>\$ 32,698,865</u></u>	<u><u>\$ 1,665,425</u></u>

**City of Marquette, Michigan**

**CAPITAL ASSETS SCHEDULES**

City of Marquette, Michigan

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS - BY SOURCE

June 30, 2004

	Land and Improvements	Buildings and Improvements	Furniture and Equipment	Other	Totals
Governmental Capital Assets:					
Land	\$ 5,802,556	\$ -	\$ -	\$ -	\$ 5,802,556
Land improvements	6,884,630	-	-	-	6,884,630
Buildings	-	4,971,467	-	-	4,971,467
Building improvements	-	4,897,905	-	-	4,897,905
Furniture and equipment	-	-	2,410,402	-	2,410,402
Infrastructure	-	-	-	1,598,007	1,598,007
Construction in progress	-	-	-	2,465,718	2,465,718
Investment in joint venture	-	-	-	3,073,511	3,073,511
<b>TOTAL</b>	<b>\$ 12,687,186</b>	<b>\$ 9,869,372</b>	<b>\$ 2,410,402</b>	<b>\$ 7,137,236</b>	<b>\$ 32,104,196</b>
Investments in Governmental Capital Assets From:					
General Fund	\$ 7,328,468	\$ 4,458,328	\$ 1,865,280	\$ -	\$ 13,652,076
Federal grants	1,901,291	3,466,340	116,285	-	5,483,916
State grants	705,189	494,867	138,397	-	1,338,453
Private gifts	1,114,174	558,029	117,381	-	1,789,584
Authorities, Boards and Commissions	54,000	811,172	-	-	865,172
Joint venture	-	-	-	3,073,511	3,073,511
Other funds	1,584,064	80,636	173,059	4,063,725	5,901,484
<b>TOTAL</b>	<b>\$ 12,687,186</b>	<b>\$ 9,869,372</b>	<b>\$ 2,410,402</b>	<b>\$ 7,137,236</b>	<b>\$ 32,104,196</b>

**City of Marquette, Michigan**

**SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY**

June 30, 2004

Function and Activity	Total	Land	Land Improvements	Buildings	Building Improvements	Furniture and Equipment	Infrastructure
<b>General Government:</b>							
City Commission	\$ 8,999	\$ -	\$ -	\$ -	\$ -	\$ 8,999	\$ -
Elections	5,001	-	-	-	-	5,001	-
Clerk	-	-	-	-	-	-	-
Finance and Accounting	7,191	-	-	-	-	7,191	-
Treasurer	5,978	-	-	-	-	5,978	-
Information Systems	1,186,073	-	-	-	-	1,186,073	-
Cemetery	226,936	98,002	94,648	9,048	25,238	-	-
City Hall and Grounds	2,342,907	100,008	128,542	1,395,545	591,820	126,992	-
Other City Property	-	-	-	-	-	-	-
<b>Total General Government</b>	<b>3,783,085</b>	<b>198,010</b>	<b>223,190</b>	<b>1,404,593</b>	<b>617,058</b>	<b>1,340,234</b>	<b>-</b>
<b>Public Health and Safety:</b>							
Police Department	288,804	-	-	-	-	288,804	-
Fire Department	366,521	32,297	14,664	154,156	106,674	58,730	-
<b>Total Public Health and Safety</b>	<b>655,325</b>	<b>32,297</b>	<b>14,664</b>	<b>154,156</b>	<b>106,674</b>	<b>347,534</b>	<b>-</b>
<b>Highways, Streets and Bridges:</b>							
City Engineer	73,789	-	-	-	-	73,789	-
Public Works	7,089,155	4,024,914	2,742,812	107,549	213,880	-	-
Infrastructure	1,598,007	-	-	-	-	-	1,598,007
Parking System	2,475,516	753,874	70,131	1,320,171	235,396	95,944	-
<b>Total Highways, Streets and Bridges</b>	<b>11,236,467</b>	<b>4,778,788</b>	<b>2,812,943</b>	<b>1,427,720</b>	<b>449,276</b>	<b>169,733</b>	<b>1,598,007</b>
<b>Other:</b>							
Sanitation	14,932	14,932	-	-	-	-	-
Social Services	-	-	-	-	-	-	-
Recreation	10,614,777	561,312	3,833,833	1,984,998	3,706,979	527,655	-
Other functions	260,381	217,217	-	-	17,918	25,246	-
<b>Total Other</b>	<b>10,890,090</b>	<b>793,461</b>	<b>3,833,833</b>	<b>1,984,998</b>	<b>3,724,897</b>	<b>552,901</b>	<b>-</b>
<b>TOTAL GOVERNMENTAL CAPITAL ASSETS ASSOCIATED TO FUNCTIONS</b>	<b>26,564,967</b>	<b>\$ 5,802,556</b>	<b>\$ 6,884,630</b>	<b>\$ 4,971,467</b>	<b>\$ 4,897,905</b>	<b>\$ 2,410,402</b>	<b>\$ 1,598,007</b>
Construction in progress	2,465,718						
Investment in Marquette County Solid Waste Management Authority	3,073,511						
<b>TOTAL GOVERNMENTAL CAPITAL ASSETS</b>	<b>\$ 32,104,196</b>						

**City of Marquette, Michigan**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY**

For the Fiscal Year Ended June 30, 2004

Function and Activity	Balance June 30, 2003	Additions	Deductions	Transfers	Balance June 30, 2004
<b>General Government:</b>					
City Commission	\$ 8,999	\$ -	\$ -	\$ -	\$ 8,999
Elections	28,374	-	(23,373)	-	5,001
Clerk	1,188	-	(1,188)	-	-
Finance and Accounting	7,191	-	-	-	7,191
Treasurer	7,018	-	(1,040)	-	5,978
Information Systems	1,244,542	63,840	(122,309)	-	1,186,073
Cemetery	271,078	-	(44,142)	-	226,936
City Hall and Grounds	2,401,090	-	(115,410)	57,227	2,342,907
Other City Property	6,022,866	-	-	(6,022,866)	-
<b>Total General Government</b>	<b>9,992,346</b>	<b>63,840</b>	<b>(307,462)</b>	<b>(5,965,639)</b>	<b>3,783,085</b>
<b>Public Health and Safety:</b>					
Police Department	416,523	-	(127,719)	-	288,804
Fire Department	633,950	11,800	(193,937)	(85,292)	366,521
<b>Total Public Health and Safety</b>	<b>1,050,473</b>	<b>11,800</b>	<b>(321,656)</b>	<b>(85,292)</b>	<b>655,325</b>
<b>Highways, Streets and Bridges</b>					
City Engineer	95,587	-	(21,798)	-	73,789
Public Works	1,084,123	124,782	(85,389)	5,965,639	7,089,155
Infrastructure	1,235,705	362,302	-	-	1,598,007
Parking System	2,512,624	-	(37,108)	-	2,475,516
<b>Total Highways, Streets and Bridges</b>	<b>4,928,039</b>	<b>487,084</b>	<b>(144,295)</b>	<b>5,965,639</b>	<b>11,236,467</b>
<b>Other:</b>					
Sanitation	14,932	-	-	-	14,932
Social Services	10,460	-	(4,952)	(5,508)	-
Recreation	11,165,877	-	(641,900)	90,800	10,614,777
Other	72,765	217,217	(29,601)	-	260,381
<b>Total Other</b>	<b>11,264,034</b>	<b>217,217</b>	<b>(676,453)</b>	<b>85,292</b>	<b>10,890,090</b>
<b>TOTAL GOVERNMENTAL CAPITAL ASSETS</b>	<b>27,234,892</b>	<b>779,941</b>	<b>(1,449,866)</b>	<b>-</b>	<b>26,564,967</b>
Construction in progress	173,670	2,304,401	(12,353)	-	2,465,718
Investment in Marquette County Solid Waste Management Authority	2,786,629	286,882	-	-	3,073,511
<b>GRAND TOTAL</b>	<b>\$ 30,195,191</b>	<b>\$ 3,371,224</b>	<b>\$ (1,462,219)</b>	<b>\$ -</b>	<b>\$ 32,104,196</b>



**City of Marquette, Michigan**

**LONG-TERM DEBT SCHEDULES**

City of Marquette, Michigan

SCHEDULE OF BONDS, NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS PAYABLE -  
ENTERPRISE FUNDS

For the year ended June 30, 2004

Maturities Year Ending June 30:	WATER SUPPLY AND SEWAGE DISPOSAL FUND						MARINA FUND		STORMWATER UTILITY FUND
	Capitalized Lease Obligations (A)	Note Payable	Loan Payable	Revenue Bonds (B)	Revenue Bonds (C)	Revenue Bonds (D)	Revenue Bonds (E)	Revenue Bonds (F)	Revenue Bonds (G)
2005	\$ 117,089	\$ 18,418	\$ -	\$ 60,000	\$ 5,000	\$ 555,000	\$ 55,000	\$ 20,000	\$ 215,000
2006	120,866	19,329	140,000	-	65,000	565,000	-	70,000	230,000
2007	120,866	20,286	145,000	-	70,000	570,000	-	70,000	245,000
2008	120,866	21,289	145,000	-	-	590,000	-	70,000	255,000
2009	120,866	22,343	150,000	-	-	480,000	-	75,000	275,000
2010	-	23,448	155,000	-	-	410,000	-	70,000	290,000
2011	-	24,878	155,000	-	-	410,000	-	75,000	-
2012	-	-	160,000	-	-	430,000	-	75,000	-
2013	-	-	165,000	-	-	450,000	-	80,000	-
2014	-	-	165,000	-	-	470,000	-	85,000	-
2015	-	-	170,000	-	-	485,000	-	-	-
2016	-	-	175,000	-	-	505,000	-	-	-
2017	-	-	180,000	-	-	-	-	-	-
2018	-	-	180,000	-	-	-	-	-	-
2019	-	-	185,000	-	-	-	-	-	-
2020	-	-	190,000	-	-	-	-	-	-
2021	-	-	195,000	-	-	-	-	-	-
2022	-	-	200,000	-	-	-	-	-	-
2023	-	-	200,000	-	-	-	-	-	-
2024	-	-	205,000	-	-	-	-	-	-
2025	-	-	210,000	-	-	-	-	-	-
	<u>\$ 600,553</u>	<u>\$ 149,991</u>	<u>\$ 3,470,000</u>	<u>\$ 60,000</u>	<u>\$ 140,000</u>	<u>\$ 5,920,000</u>	<u>\$ 55,000</u>	<u>\$ 690,000</u>	<u>\$ 1,510,000</u>
Interest rates	4.3 - 4.4%	4.88%	2.125%	6.1 - 9.5%	2.0%	2.0 - 4.1%	4.7 - 5.8%	4.7 - 5.8%	4.1 - 5.0%
Interest dates	June and December	August	April and October	May and November	May and November	May and November	May and November	May and November	June and December
Date of original issue	July 28, 1998	February 23, 1999	March 9, 2004	February 18, 2004	August 10, 1989	November 4, 2003	March 30, 1994	February 18, 2004	November 1, 1995
Amount of original issue	<u>\$ 1,485,000</u>	<u>\$ 199,926</u>	<u>\$ 3,470,000</u>	<u>\$ 140,000</u>	<u>\$ 1,000,000</u>	<u>\$ 5,990,000</u>	<u>\$ 1,000,000</u>	<u>\$ 690,000</u>	<u>\$ 2,740,000</u>

**City of Marquette, Michigan**

**NOTES TO SCHEDULE OF BONDS, NOTES PAYABLE AND CAPITALIZED  
LEASE OBLIGATIONS PAYABLE -  
ENTERPRISE FUNDS**

For the year ended June 30, 2004

- (A) The City may pay additional monies to the County of Marquette and may request that such additional funds be used to call bonds for redemption prior to maturity, in which event the County Board of Commissioners would be obligated to apply and use such money for such purposes to the fullest extent possible.
- (B) Outstanding bonds may be redeemed at the option of the City on any date (beginning May 1, 1996) in integral multiples of \$5,000 at stated premiums plus accrued interest, no premiums apply to bonds called on or after May 1, 2000.
- (C) Outstanding bonds are not subject to optional redemption.
- (D) Outstanding bonds maturing in the years 2004 to 2007, inclusive, are subject to redemption on January 1, 2004 at 100% of par plus accrued interest. The outstanding bonds maturing in years 2005 to 2016, inclusive, are subject to redemption on May 1, 2004 at 100% of par plus accrued interest.
- (E) Outstanding bonds may be redeemed at the option of the city on any date after November 1, 2003 in integrals of \$5,000 at stated premiums plus accrued interest; no premiums apply to bonds called on or after November 1, 2005.
- (F) Outstanding bonds are not subject to optional redemption.
- (G) Outstanding bonds maturing prior to June 1, 2004, are not subject to optional redemption prior to maturity. Bonds maturing on or after June 1, 2004, are subject to redemption at the option of the City, in whole or in part, in integral multiples of \$5,000, on any date on or after June 1, 2003, at par, plus accrued interest to the redemption date.

**City of Marquette, Michigan**

**SCHEDULE OF BONDS PAYABLE  
COMPONENT UNIT - BOARD OF LIGHT AND POWER ELECTRIC UTILITY FUND**

For the year ended June 30, 2004

	Revenue Bonds Series 2001 (A)
<u>Maturities</u>	
Year Ending June 30:	
2005	\$ 3,705,000
2006-2007	6,500,000
2008-2009	5,490,000
Discount	<u>(89,925)</u>
	\$ <u>15,605,075</u>
 Interest rates	 4.8 - 5.125%
 Interest dates	 January and July
 Date of original issue	 October 11, 2001
 Amount of original issue	 \$ <u>21,815,150</u>

- (A) Bonds maturing in the years 2007 through 2009 are subject to redemption prior to maturity at the option of the City, in such order as the City may determine, and by lot within a single maturity, on any interest payment date on or after July 1, 2006. Bonds called for redemption shall be redeemed at par and accrued interest to the date fixed for redemption. Original issue is less than amount outstanding due to the amortization of the discount in the current year.

**City of Marquette, Michigan**

**COMPONENT UNITS**

**INDIVIDUAL COMPONENT UNIT STATEMENTS AND SCHEDULES**

Component units are used to account for the discretely presented component units which follow governmental or proprietary fund accounting guidelines.

**BOARD OF LIGHT AND POWER:** To account for the electric utility.

**PETER WHITE PUBLIC LIBRARY:** To record revenues and expenditures of the Peter White Public Library. Financing is primarily provided through property taxes.

**DOWNTOWN DEVELOPMENT AUTHORITY:** To record the activities associated with the Downtown Development Authority.

**City of Marquette, Michigan**  
**Board of Light and Power Electric Utility**

**COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 6,482,488	\$ 4,762,762
Internally designated assets:		
Customer electric rate stabilization fund	2,346,484	2,283,732
Turbine and major generating equipment overhaul fund	1,244,082	977,745
Replacement-risk retention fund	2,555,042	2,512,119
Improvement fund	1,892,238	2,087,092
Accounts receivable, net	1,033,410	1,642,120
Inventory	1,597,746	1,552,611
Prepaid expenses	66,735	57,849
	<u>17,218,225</u>	<u>15,876,030</u>
<b>TOTAL CURRENT ASSETS</b>		
Noncurrent Assets:		
Restricted Assets:		
Bond and interest redemption fund	3,959,932	3,912,344
Bond reserve fund	2,198,000	2,198,000
Construction fund	-	945,600
Pinehill landfill fund	12,809	13,098
	<u>6,170,741</u>	<u>7,069,042</u>
<b>Total Restricted Assets</b>		
Unamortized bond issuance costs	106,656	139,556
Investment in UPPPA	1,648,112	-
Property, plant, and equipment	111,345,699	110,328,477
Accumulated depreciation	(70,558,762)	(67,710,510)
	<u>48,712,446</u>	<u>49,826,565</u>
<b>TOTAL NONCURRENT ASSETS</b>		
<b>TOTAL ASSETS</b>	<u>65,930,671</u>	<u>65,702,595</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,345,395	934,483
Accrued liabilities	124,129	59,986
Compensated absences	833,609	832,043
Customer deposits payable	1,278,771	1,213,526
Other current liabilities	40,000	53,380
	<u>3,621,904</u>	<u>3,093,418</u>
<b>TOTAL CURRENT LIABILITIES</b>		
Current Liabilities (payable from restricted assets):		
Current maturities on revenue bonds	3,705,000	3,610,000
Revenue bond accrued interest payable	254,932	302,314
	<u>3,959,932</u>	<u>3,912,314</u>
<b>TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Noncurrent Liabilities:		
Bonds payable	11,900,075	15,577,288
Reserve for turbine and major generating equipment overhaul	1,244,082	977,745
Postclosure costs-Landfill	624,194	648,332
	<u>13,768,351</u>	<u>17,203,365</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>	<u>21,350,187</u>	<u>24,209,097</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	28,886,862	27,040,679
Restricted:		
Other activities	2,210,809	3,156,698
Unrestricted	13,482,813	11,296,091
	<u>44,580,484</u>	<u>41,493,468</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 44,580,484</u>	<u>\$ 41,493,468</u>

**City of Marquette, Michigan**  
**Board of Light and Power Electric Utility**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Electricity Sales:		
Urban	\$ 11,486,191	\$ 11,387,999
Rural	6,710,934	6,417,459
Sales to Alger-Delta Co-op	768,081	762,024
Sales to Wisconsin Electric Power Company	3,097,767	4,719,783
Street lighting	302,194	299,405
Other municipal departments	674,730	695,687
Rent and other	738,928	589,186
	<u>23,778,825</u>	<u>24,871,543</u>
<b>TOTAL OPERATING REVENUES</b>	<u>23,778,825</u>	<u>24,871,543</u>
<b>OPERATING EXPENSES:</b>		
Administrative and general	3,652,965	3,448,704
Production	10,970,444	11,698,077
Purchased power	709,764	765,097
Distribution and transmission	961,924	1,039,641
Customer accounting	469,905	486,154
Payment in lieu of property taxes - City of Marquette	1,240,622	1,240,649
Provision for depreciation, excluding \$93,947 charged to other operating expenses	3,094,111	3,103,402
	<u>21,099,735</u>	<u>21,781,724</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>21,099,735</u>	<u>21,781,724</u>
<b>INCOME FROM OPERATIONS</b>	<u>2,679,090</u>	<u>3,089,819</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	426,681	573,053
Delayed payment fees	29,676	29,746
Interest on refunding bonds	(509,865)	(604,628)
Other interest expense	(32,155)	(30,673)
Amortization of bond issuance expense	(60,688)	(59,132)
	<u>(146,351)</u>	<u>(91,634)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(146,351)</u>	<u>(91,634)</u>
<b>NET INCOME BEFORE EXTRAORDINARY ITEM</b>	2,532,739	2,998,185
<b>EXTRAORDINARY ITEMS</b>		
Flood event	-	(121,998)
	<u>2,532,739</u>	<u>2,876,187</u>
<b>NET INCOME</b>	<u>2,532,739</u>	<u>2,876,187</u>
Capital contributions from customers	554,247	119,193
	<u>3,086,986</u>	<u>2,995,380</u>
<b>CHANGE IN NET ASSETS</b>	<u>3,086,986</u>	<u>2,995,380</u>
Net assets, beginning of year	41,493,498	38,498,118
	<u>44,580,484</u>	<u>41,493,498</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 44,580,484</u>	<u>\$ 41,493,498</u>

**City of Marquette, Michigan  
Board of Light and Power Electric Utility**

**STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2004  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 24,387,535	\$ 24,551,624
Cash paid to suppliers and employees	<u>(17,181,633)</u>	<u>(17,470,662)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>7,205,902</u>	<u>7,080,962</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,105,863)	(2,717,851)
Proceeds from sale of equipment	2,445	-
Principal payment on revenue bonds, notes payable and capital lease obligations	(3,610,000)	(2,675,000)
Capital contributions	554,247	119,193
Interest paid on revenue bonds and notes payable	<u>(557,247)</u>	<u>(789,903)</u>
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(5,716,418)</u>	<u>(6,063,561)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	421,092	428,750
Proceeds from maturities and sales of investment securities	4,334,924	3,372,574
Purchase of investments	<u>(4,525,774)</u>	<u>(4,142,846)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>230,242</u>	<u>(341,522)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,719,726	675,879
Cash and cash equivalents, beginning of year	<u>4,762,762</u>	<u>4,086,883</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,482,488</u>	<u>\$ 4,762,762</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Net appreciation (depreciation) in fair value of investments	<u>\$ (66,884)</u>	<u>\$ 104,307</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	<u>\$ 2,679,090</u>	<u>\$ 3,089,819</u>
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	3,188,058	3,175,811
Bad debt expense	28,773	24,426
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	579,937	(344,345)
(Increase) decrease in inventory	(45,135)	844,097
(Increase) in prepaid expenses	(8,886)	(7,639)
Increase in accounts payable	410,912	317,337
Increase in accrued wages and related liabilities	64,143	3,168
Increase (decrease) in accrued sick and vacation	1,566	(18,268)
Increase in customer deposits, including accrued interest	65,245	48,229
(Decrease) in landfill site postclosure care cost liability	(24,138)	(29,670)
Increase (decrease) in reserve for turbine overhaul	<u>266,337</u>	<u>(22,003)</u>
<b>NET ADJUSTMENTS</b>	<u>4,526,812</u>	<u>3,991,143</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 7,205,902</u>	<u>\$ 7,080,962</u>



**City of Marquette, Michigan  
Peter White Public Library**

**STATEMENT OF NET ASSETS**

June 30, 2004

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 651,106
Investments	1,163,765
Taxes receivable, net	1,018,706
Accounts receivable, net	3,995
Prepaid expenses	<u>13,863</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,851,435</u>
Noncurrent assets:	
Land	114,704
Other capital assets	11,080,564
Accumulated depreciation	<u>(3,663,914)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,531,354</u>
<b>TOTAL ASSETS</b>	<u>10,382,789</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	26,072
Deferred revenue	1,022,288
Bonds payable - due in one year	<u>385,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,433,360</u>
Noncurrent liabilities:	
Bonds payable - due in more than one year	4,195,000
Compensated absences	<u>75,887</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>4,270,887</u>
<b>TOTAL LIABILITIES</b>	<u>5,704,247</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	2,951,354
Restricted:	
Retirement of debt	668,981
Endowments	739,604
Unrestricted	<u>318,603</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,678,542</u>

City of Marquette, Michigan  
Peter White Public Library

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Recreation and culture	\$ 1,731,920	\$ 222,011	\$ 455,213	\$ (1,054,696)
Interest on long-term debt	256,917	-	-	(256,917)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,988,837</b>	<b>\$ 222,011</b>	<b>\$ 455,213</b>	<b>(1,311,613)</b>
<b>General revenues:</b>				
Property taxes				957,892
Interest and investment earnings				86,031
Miscellaneous				2,938
				<u>1,046,861</u>
				(264,752)
Net assets, beginning of year				<u>4,943,294</u>
				<u><u>\$ 4,678,542</u></u>

**City of Marquette, Michigan  
Peter White Public Library**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2004

	<b>General Fund</b>	<b>Carroll Paul Memorial Trust Fund</b>	<b>1997 Library Improvement Debt Fund</b>	<b>1998 Building Authority Debt Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 253,939	\$ 21,999	\$ 6,779	\$ 368,389	\$ 651,106
Investments	152,347	717,605	-	293,813	1,163,765
Taxes receivable, net	645,444	-	373,262	-	1,018,706
Accounts receivable, net	3,995	-	-	-	3,995
Prepaid expenditures	13,863	-	-	-	13,863
<b>TOTAL ASSETS</b>	<b>\$ 1,069,588</b>	<b>\$ 739,604</b>	<b>\$ 380,041</b>	<b>\$ 662,202</b>	<b>\$ 2,851,435</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 26,072	\$ -	\$ -	\$ -	\$ 26,072
Deferred revenue	649,026	-	373,262	-	1,022,288
<b>TOTAL LIABILITIES</b>	<b>675,098</b>	<b>-</b>	<b>373,262</b>	<b>-</b>	<b>1,048,360</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Retirement of debt	-	-	6,779	662,202	668,981
Endowments	-	739,604	-	-	739,604
Unreserved, reported in:					
General Fund	394,490	-	-	-	394,490
<b>TOTAL FUND BALANCE</b>	<b>394,490</b>	<b>739,604</b>	<b>6,779</b>	<b>662,202</b>	<b>1,803,075</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,069,588</b>	<b>\$ 739,604</b>	<b>\$ 380,041</b>	<b>\$ 662,202</b>	<b>\$ 2,851,435</b>

City of Marquette, Michigan  
Peter White Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total Fund Balances for Governmental Funds \$ 1,803,075

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds

Cost of capital assets	11,195,268	
Accumulated depreciation	<u>(3,663,914)</u>	
		7,531,354

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds:

Bonds payable	(4,580,000)	
Compensated absences	<u>(75,887)</u>	
		(4,655,887)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 4,678,542

**City of Marquette, Michigan  
Peter White Public Library**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	<b>General Fund</b>	<b>Carroll Paul Memorial Trust Fund</b>	<b>1997 Library Improvement Debt Fund</b>	<b>1998 Building Authority Debt Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Property taxes	\$ 598,884	\$ -	\$ 359,008	\$ -	\$ 957,892
State sources	46,285	-	-	-	46,285
Local sources	276,941	-	-	-	276,941
Charges for services	45,626	-	-	-	45,626
Fines and forfeiture	141,114	-	-	-	141,114
Rentals	35,271	-	-	-	35,271
Contributions from private sources	73,081	-	-	-	73,081
Investment income	6,422	81,201	-	58,906	131,987
Other	2,938	-	-	(1,592)	86,031
<b>TOTAL REVENUES</b>	<b>1,226,562</b>	<b>81,201</b>	<b>359,008</b>	<b>57,314</b>	<b>1,724,085</b>
<b>EXPENDITURES:</b>					
Recreation and Culture:					
Personnel services	770,840	-	-	-	770,840
Supplies	53,274	-	-	-	53,274
Musical supplies and services	-	10,182	-	-	10,182
Other services and charges	281,996	1,941	-	-	283,937
Capital outlay	78,051	-	-	-	78,051
Debt service	-	-	-	-	-
Principal retirement	-	-	165,000	200,000	365,000
Interest and fiscal charges	-	-	202,664	54,253	256,917
<b>TOTAL EXPENDITURES</b>	<b>1,184,161</b>	<b>12,123</b>	<b>367,664</b>	<b>254,253</b>	<b>1,818,201</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>42,401</b>	<b>69,078</b>	<b>(8,656)</b>	<b>(196,939)</b>	<b>(94,116)</b>
Fund balance, beginning of year	352,089	670,526	15,435	859,141	1,897,191
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 394,490</b>	<b>\$ 739,604</b>	<b>\$ 6,779</b>	<b>\$ 662,202</b>	<b>\$ 1,803,075</b>

**City of Marquette, Michigan  
Peter White Public Library**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (94,116)
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(521,421)</u>	(521,421)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	365,000
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Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(14,215)
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (264,752)</u></u>
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**City of Marquette, Michigan  
Downtown Development Authority**

**STATEMENT OF NET ASSETS**

June 30, 2004

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 823,791
Taxes receivable, net	241,360
Accounts receivable, net	7,461
Due from primary government	38,703
Other current assets	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,111,315</b>
Noncurrent assets:	
Capital assets	1,182,915
Accumulated depreciation	(105,206)
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,077,709</b>
<b>TOTAL ASSETS</b>	<b>2,189,024</b>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	347,526
Accrued wages and related liabilities	2,633
Due to primary government	117,442
Deferred revenue	280,063
Bonds payable - due in one year	71,429
Notes payable - due in one year	11,073
Other current liabilities	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>830,166</b>
Noncurrent liabilities:	
Bonds payable - due in more than one year	285,714
Notes payable - due in more than one year	17,676
Advance from primary government	29,157
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>332,547</b>
<b>TOTAL LIABILITIES</b>	<b>1,162,713</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	691,817
Unrestricted	334,494
<b>TOTAL NET ASSETS</b>	<b>\$ 1,026,311</b>

**City of Marquette, Michigan  
Downtown Development Authority**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
General government	\$ 131,703	\$ -	\$ 55,540	\$ (76,163)
Parking system	140,495	91,765	-	(48,730)
Interest on long-term debt	17,672	-	-	(17,672)
Other governmental	-	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 289,870</u>	<u>\$ 91,765</u>	<u>\$ 55,540</u>	<u>(142,565)</u>
		<b>General revenues:</b>		
		Property taxes		238,273
		Interest and investment earnings		6,340
		Miscellaneous		998
				<u>245,611</u>
		<b>TOTAL GENERAL REVENUES</b>		<u>245,611</u>
		<b>CHANGES IN NET ASSETS</b>		<u>103,046</u>
		Net assets, beginning of year		<u>923,265</u>
		<b>NET ASSETS, END OF YEAR</b>		<u>\$ 1,026,311</u>



**City of Marquette, Michigan  
Downtown Development Authority**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2004

	<b>General Fund</b>	<b>Parking System Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 431,733	\$ 40,198	\$ 351,860	\$ -	\$ 823,791
Taxes receivable, net	241,360	-	-	-	241,360
Accounts receivable, net	-	7,461	-	-	7,461
Due from other funds	-	-	-	-	-
Due from primary government	38,703	-	-	-	38,703
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 711,796</b>	<b>\$ 47,659</b>	<b>\$ 351,860</b>	<b>\$ -</b>	<b>\$ 1,111,315</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	-	3,000	-	-	3,000
Accrued wages and related liabilities	2,633	-	-	-	2,633
Due to other funds	-	-	-	-	-
Due to primary government	461,968	-	-	-	461,968
Advance from primary government	29,157	-	-	-	29,157
Deferred revenue	280,063	-	-	-	280,063
Other liabilities	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>773,821</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>776,821</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Retirement of debt	-	-	351,860	-	351,860
Capital projects	-	-	-	-	-
Unreserved, reported in:					
General Fund	(62,025)	-	-	-	(62,025)
Special Revenue Fund	-	44,659	-	-	44,659
<b>TOTAL FUND BALANCE</b>	<b>(62,025)</b>	<b>44,659</b>	<b>351,860</b>	<b>-</b>	<b>334,494</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 711,796</b>	<b>\$ 47,659</b>	<b>\$ 351,860</b>	<b>\$ -</b>	<b>\$ 1,111,315</b>

**City of Marquette, Michigan  
Downtown Development Authority**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

June 30, 2004

Total Fund Balances for Governmental Funds	\$ 334,494
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds

Cost of capital assets	1,182,915	
Accumulated depreciation	<u>(105,206)</u>	
		1,077,709

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds

(385,892)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

	<u><u>\$ 1,026,311</u></u>
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**City of Marquette, Michigan  
Downtown Development Authority**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	<b>General Fund</b>	<b>Parking System Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Property taxes	\$ 238,273	\$ -	\$ -	\$ -	\$ 238,273
Intergovernmental revenues	55,540	-	-	-	55,540
Charges for services	-	11,120	-	-	11,120
Rentals	-	80,645	-	-	80,645
Community development loans	701	-	-	-	701
Investment income	4,495	-	1,845	-	6,340
Other	297	-	-	-	297
<b>TOTAL REVENUES</b>	<b>299,306</b>	<b>91,765</b>	<b>1,845</b>	<b>-</b>	<b>392,916</b>
<b>EXPENDITURES:</b>					
Current operations:					
General government	73,299	-	-	-	73,299
Parking system	-	137,198	-	-	137,198
Capital outlay	398,215	999	-	-	399,214
Debt service	-	-	-	-	-
Principal retirement	10,536	-	-	71,429	81,965
Interest and fiscal charges	1,722	-	-	15,950	17,672
<b>TOTAL EXPENDITURES</b>	<b>483,772</b>	<b>138,197</b>	<b>-</b>	<b>87,379</b>	<b>709,348</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(184,466)</b>	<b>(46,432)</b>	<b>1,845</b>	<b>(87,379)</b>	<b>(316,432)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds on borrowing	-	-	-	-	-
Operating transfers in	-	87,396	-	87,379	174,775
Operating transfers out	(174,775)	-	-	-	(174,775)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(174,775)</b>	<b>87,396</b>	<b>-</b>	<b>87,379</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(359,241)</b>	<b>40,964</b>	<b>1,845</b>	<b>-</b>	<b>(316,432)</b>
Fund balance, beginning of year	297,216	3,695	350,015	-	650,926
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (62,025)</b>	<b>\$ 44,659</b>	<b>\$ 351,860</b>	<b>\$ -</b>	<b>\$ 334,494</b>

**City of Marquette, Michigan  
Downtown Development Authority**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (316,432)
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	384,915	
Depreciation expense	<u>47,402</u>	337,513

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	81,965
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 103,046</u></u>
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**City of Marquette, Michigan**

**STATISTICAL INFORMATION**

The following Statistical Information is presented to furnish the reader with the historical trend of the financial operations and condition of the City of Marquette.

This Statistical Information contains comprehensive data, frequently covering the last ten fiscal years, relating to the financial, economic, physical and societal characteristics of the City.

City of Marquette, Michigan

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS (A)

TABLE I

LAST TEN FISCAL YEARS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Government	\$ 3,664,149	\$ 4,206,488	\$ 3,658,309	\$ 3,352,136	\$ 4,019,929	\$ 4,473,871	\$ 4,327,289	\$ 4,566,586	\$ 3,336,036	\$ 2,928,666
Public Health and Safety	4,155,082	4,293,996	4,207,277	3,133,514	3,969,561	3,854,755	3,307,314	3,376,236	4,576,873	4,500,789
Highways, Streets and Bridges	2,191,515	2,883,489	2,731,951	3,350,155	4,245,187	3,826,384	4,748,300	7,215,054	5,660,485	5,040,055
Sanitation	1,171,204	1,131,383	1,136,841	743,064	760,419	964,944	961,665	942,994	1,188,362	1,144,322
Social Services	177,013	172,105	181,043	179,473	192,333	189,906	185,010	217,496	371,076	840,683
Recreation and Culture	1,401,952	1,636,627	1,402,413	1,271,127	1,533,890	985,256	1,142,973	1,364,479	1,353,954	1,159,649
Capital Outlay	1,120,948	1,268,738	1,215,166	1,881,450	646,227	1,434,054	413,537	536,311	251,007	274
Debt Service	856,456	822,965	760,064	692,320	721,295	368,281	633,678	426,866	485,220	481,845
TOTALS	<u>\$ 14,738,319</u>	<u>\$ 16,415,791</u>	<u>\$ 15,293,064</u>	<u>\$ 14,603,239</u>	<u>\$ 16,088,841</u>	<u>\$ 16,097,451</u>	<u>\$ 15,719,766</u>	<u>\$ 18,646,022</u>	<u>\$ 17,223,013</u>	<u>\$ 16,096,283</u>

(A) Includes General and Special Revenue Funds

City of Marquette, Michigan

GENERAL REVENUES BY SOURCES (A)

TABLE 2

LAST TEN FISCAL YEARS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Property Taxes	\$ 4,433,813	\$ 4,906,682	\$ 5,093,363	\$ 5,222,963	\$ 5,337,013	\$ 5,637,496	\$ 5,731,848	\$ 5,653,404	\$ 5,801,421	\$ 5,955,861
Payments in lieu of property taxes	1,809,934	1,953,100	1,916,196	1,977,503	2,096,223	2,134,757	2,110,643	2,100,334	2,085,024	2,027,879
State and Federal sources	3,564,192	4,627,112	4,573,319	4,537,938	5,002,412	4,616,701	5,254,885	5,915,467	5,367,545	5,012,952
Intergovernmental revenue	69,085	68,448	75,999	74,965	92,247	79,759	112,827	132,768	134,616	156,009
Licenses and permits	17,097	17,147	15,984	15,346	19,042	17,949	18,552	17,779	17,069	18,543
Charges for services	2,203,856	2,317,034	2,460,689	2,023,314	2,003,932	2,077,295	2,152,686	2,311,854	2,410,279	3,091,139
Sales	191,670	185,301	171,668	174,368	178,356	142,009	143,853	172,578	183,290	176,336
Use and admission fees	508,444	523,490	525,185	496,914	534,937	528,473	490,420	446,142	502,252	496,419
Fines and forfeits	111,844	130,459	116,887	129,537	113,240	117,874	118,463	139,794	138,538	136,538
Rentals	179,639	193,209	209,286	207,545	214,773	142,818	172,114	125,639	120,937	123,816
Special assessments	138,069	92,383	80,029	86,117	72,095	22,584	209,115	92,978	104,534	66,143
Sale of assets	31,206	163,072	77,821	101,783	103,934	4,409	3,106	14,134	68,464	3,743
Contribution from private sources	13,000	50,031	32,967	47,959	65,690	29,043	45,500	94,829	95,321	21,500
Reimbursements	343,683	50,871	42,167	13,453	9,234	7,838	27,545	30,575	20,580	20,433
Investment income	267,879	303,678	324,226	383,220	310,245	309,371	775,369	736,734	255,826	(128,122)
Other revenue	86,652	33,511	59,666	14,959	219,409	523,321	30,232	17,141	63,912	117,391
<b>TOTAL</b>	<b>\$ 13,970,063</b>	<b>\$ 15,615,528</b>	<b>\$ 15,775,452</b>	<b>\$ 15,507,884</b>	<b>\$ 16,372,782</b>	<b>\$ 16,391,697</b>	<b>\$ 17,397,158</b>	<b>\$ 18,002,150</b>	<b>\$ 17,369,608</b>	<b>\$ 17,296,580</b>

(A) Includes General and Special Revenue Funds

\* General Fund only

City of Marquette, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS

TABLE 3

LAST TEN FISCAL YEARS

		<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent Delinquent Taxes to Tax Levy</u>
(A) (B)	1995	\$ 4,624,716	\$ 4,614,689	99.78%	\$ 20,460	\$ 4,635,149	100.23%	\$ 31,555	0.7%
	1996	5,137,881	5,131,459	99.88%	6,907	5,138,366	100.01%	33,189	0.6%
	1997	5,316,031	5,306,018	99.81%	9,903	5,315,921	99.99%	32,352	0.6%
	1998	5,478,127	5,463,511	99.73%	10,965	5,474,476	99.93%	48,681	0.9%
	1999	5,989,211	5,987,933	99.98%	44,673	6,032,606	100.72%	40,497	0.7%
(C)	2000	6,295,517	6,295,517	100.00%	6,590	6,302,107	100.10%	30,421	0.5%
	2001	6,299,792	6,299,792	100.00%	9,455	6,309,247	100.15%	36,972	0.6%
	2002	6,550,764	6,550,764	100.00%	20,482	6,571,246	100.31%	28,250	0.4%
	2003	6,741,644	6,741,644	100.00%	7,616	6,749,260	100.11%	31,802	0.5%
	2004	6,903,752	6,903,752	100.00%	15,704	6,919,456	100.23%	35,914	0.5%

(A) Beginning in Fiscal Year 1979 County sold bonds each year to pay local units 100% of real property taxes.

(B) Beginning in Fiscal Year 1983 County began charging back for unpaid real estate taxes.

(C) Beginning in Fiscal Year 1999 County stopped charging back for unpaid real estate taxes.



City of Marquette, Michigan

TABLE 5

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City of Marquette, Michigan				(A) Marquette Area Public School District	(B) County of Marquette	Total
	General Fund	Library Fund	Debt Service Funds	Total			
1995	12.530	1.418	-	13.948	8.980	9.987	32.915
1996	13.630	1.418	-	15.048	10.480	10.597	36.125
1997	13.630	1.418	-	15.048	10.100	9.816	33.964
1998	13.630	1.418	-	15.048	8.600	9.816	33.464
1999	13.630	1.418	1.000	16.048	8.600	9.816	34.464
2000	14.130	1.418	0.960	16.508	8.600	9.816	34.924
2001	13.630	1.418	0.950	15.998	8.600	9.792	34.390
2002	13.630	1.418	0.950	15.998	8.600	9.792	34.390
2003	13.630	1.418	0.900	15.948	7.800	9.777	33.525
2004	13.630	1.418	0.850	15.898	6.600	9.703	33.201

(A) Includes Debt Service

(B) Includes Intermediate School District, Special Education, County Wide Transit and County Medical Facility.

City of Marquette, Michigan

TABLE 7

RATIO OF NET GENERAL BONDED DEBT

TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	22,196	\$ 341,430,000	\$ 1,465,899	\$ 1,465,899	-	0%	-
1996	22,196	353,269,198	1,284,006	1,284,006	-	0%	-
1997	22,196	364,041,019	1,219,234	1,219,234	-	0%	-
1998	22,196	373,203,769	1,150,652	1,150,652	-	0%	-
1999	19,147	381,359,245	1,114,233	1,114,233	-	0%	-
2000	19,634	393,783,755	1,019,806	1,019,806	-	0%	-
2001	19,661	409,471,374	921,603	921,603	-	0%	-
2002	20,714	422,723,939	819,622	819,622	-	0%	-
2003	20,547	434,261,542	713,864	713,864	-	0%	-
2004	20,704	455,234,797	600,553	600,553	-	0%	-

City of Marquette, Michigan

TABLE 8

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

Total Assessed Value		<u>\$ 455,234,797</u>
Debt limit - 10 percent of total assessed value		\$ 45,523,480
Amount of debt applicable to debt limit:		
Total bonded debt and long-term contracts (including special assessment bonds)	\$ 16,936,500	
Less:		
Deductions allowed by law:		
Special assessment bonds	<u>-</u>	
Total amount of debt applicable to debt limit		<u>16,936,500</u>
	LEGAL DEBT MARGIN	<u>\$ 28,586,980</u>

City of Marquette, Michigan

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES

TABLE 10

FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1995	\$ 130,000	\$ 380,875	\$ 510,875	\$ 14,738,319	3.5
1996	150,000	371,572	521,572	16,415,791	3.2
1997	150,000	361,355	511,355	15,293,064	3.3
1998	160,000	350,410	510,410	14,603,239	3.5
1999	320,000	285,553	605,553	16,088,841	3.8
2000	310,000	303,521	613,521	16,097,451	3.8
2001	320,000	284,523	604,523	15,719,766	3.8
2002	240,000	268,708	508,708	18,646,022	2.7
2003	250,000	258,988	508,988	17,223,013	3.0
2004	260,000	247,616	507,616	16,096,283	3.2

City of Marquette, Michigan

REVENUE BOND COVERAGE - WATER SUPPLY AND SEWAGE DISPOSAL BONDS

TABLE 11

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 5,764,486	\$ 3,727,830	\$ 2,036,656	\$ 120,000	\$ 169,655	\$ 289,655	7.03
1996	5,981,057	4,064,755	1,916,302	130,000	227,183	357,183	5.37
1997	6,249,542	3,990,562	2,258,980	140,000	524,149	664,149	3.40
1998	6,481,627	4,044,177	2,437,450	260,000	487,083	747,083	3.26
1999	6,616,857	4,450,133	2,166,724	285,000	472,163	757,163	2.86
2000	6,574,762	4,620,270	1,954,492	410,000	455,881	865,881	2.26
2001	6,049,251	4,950,437	1,098,814	440,000	433,023	873,023	1.26
2002	5,824,445	4,855,728	968,717	460,000	408,551	868,551	1.12
2003	6,004,114	4,966,469	1,037,645	485,000	380,898	865,898	1.20
2004	5,885,421	5,155,256	730,165	125,000	282,576	407,576	1.79

(1) Total operating revenues including interest.

(2) Total operating expenses including depreciation and excluding interest on bonds and amortization.

City of Marquette, Michigan

REVENUE BOND COVERAGE - STORMWATER UTILITY

TABLE 13

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 938,807	\$ 884,673	\$ 54,134	\$ -	\$ -	\$ -	N/A
1996	979,529	262,338	717,191	-	75,448	75,448	9.51
1997	1,059,320	236,320	823,000	-	129,340	129,340	6.36
1998	1,070,182	269,298	800,884	150,000	129,340	279,340	2.87
1999	873,227	300,301	572,926	155,000	123,190	278,190	2.06
2000	1,021,413	318,016	703,397	165,000	116,680	281,680	2.50
2001	875,726	350,192	525,534	175,000	109,585	284,585	1.85
2002	751,114	435,175	315,939	185,000	101,885	286,885	1.10
2003	744,630	833,054	(88,424)	195,000	93,560	288,560	(0.31)
2004	716,049	608,570	107,479	205,000	83,843	288,843	0.37

(1) Total operating revenue including interest and excluding grants.

(2) Total operating expenses including depreciation and excluding interest on bonds.

# City of Marquette, Michigan

## DEMOGRAPHIC STATISTICS

TABLE 15

### LAST TEN FISCAL YEARS

Fiscal Year	(A) Population	(A) Per Capita Income	(B) Median Age	(B & C) Educational Level in Years of Formal Schooling	(D) School Enrollment	(E) Unemployment Rate
1995	22,196	\$ 9,186	29.1	12.8	4,745	5.1%
1996	22,196	9,186	29.1	12.8	4,717	6.2
1997	22,196	9,186	29.1	12.8	4,509	6.1
1998	22,196	9,186	29.1	12.8	4,425	4.8
1999	19,147	9,186	29.1	12.8	4,387	4.0
2000	19,634	20,894	29.1	12.8	4,221	4.7
2001	19,661	22,207	30.6	12.8	4,072	4.6
2002	20,714	22,526	30.6	12.8	3,894	6.0
2003	20,547	23,131	30.6	12.8	3,742	6.2
2004	20,704	23,131	30.6	12.8	3,660	5.1

(A) Biannual estimates by the U.S. Bureau of Census based on actual count taken every ten years.

(B) U.S. Bureau of Census calculation based on actual figures taken every ten years.

(C) Person 25 and older.

(D) Information from Marquette-Alger Intermediate School District.

(E) Information from the Michigan Employment Security Commission.

City of Marquette, Michigan

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

TABLE 16

LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction		Residential Construction		(A) Bank Deposits (in 1,000)	Property Value (B)		
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Nontaxable
1995	12	\$ 2,812,200 *	25	\$ 2,363,400 *	\$ 260,429	\$ 142,448,600	\$ 336,455,800	\$ 513,000,000
1996	12	3,304,000 *	25	2,830,000 *	267,043	151,941,000	353,947,200	530,000,000
1997	7	2,397,410 *	13	3,781,314 *	251,885	156,873,200	367,319,400	540,000,000
1998	5	2,017,800 *	20	3,577,600 *	286,208	160,834,000	387,741,800	550,000,000
1999	5	3,557,200 *	20	3,210,000 *	297,969	165,042,200	405,804,000	600,000,000
2000	8	5,633,208 *	14	3,288,600 *	277,340	175,199,200	422,472,800	630,000,000
2001	2	2,288,600 *	17	3,794,800 *	287,960	176,953,800	445,150,600	640,000,000
2002	9	1,984,425 *	3	3,182,400 *	298,005	181,304,526	464,986,000	654,000,000
2003	5	2,139,434 *	12	2,272,019 *	303,000	211,054,400	490,583,800	660,000,000
2004	12	3,333,755 *	20	3,791,299 *	300,000	249,595,096	518,825,918	670,000,000

(A) Data obtained from main offices of banks with branches within the City of Marquette.

(B) Estimated actual value obtained from the City of Marquette Assessor's Department.

\* Amounts taken from State Form L-4025. Includes all new construction (except reclassification).



City of Marquette, Michigan

Principal Taxpayers

TABLE 17

June 30, 2004

Taxpayer	Nature of Business	2004 Taxable Value	Percent of Tax Roll
WE Energies	Private Power Utility	\$ 96,456,000	21.19 %
Marquette Medical Dental Center	Medical Clinic/Offices	8,044,546	1.77
O'Dovero Properties	Real Estate/Construction	4,132,258	0.91
Tourville Inc.	Apartments	3,742,195	0.82
H.J. Larson & Associates, Inc.	Hotels/Restaurants	3,648,190	0.80
Wells Fargo	Bank	2,623,671	0.58
Shopko Stores, Inc.	Retail Sales	2,458,538	0.54
Marquette General Hospital	Assisted Living, Homes, Offices	2,219,572	0.49
Tourville North Apartments	Apartments	1,994,126	0.44
Dagenais Real Estate	Real Estate	1,869,021	0.41
	TOTAL	<u>\$ 127,188,117</u>	<u>27.94 %</u>

City of Marquette, Michigan

MISCELLANEOUS STATISTICS

TABLE 18

June 30, 2004

Date of Incorporation	1871
Form of Government	Commission-Manager
Area	19.1 square miles
Miles of Streets	98
Number of street lights	2,349
Fire Protection	
Number of stations	
Number of firemen and officers (exclusive of volunteers)	2 25
Police Protection	
Number of stations	
Number of policemen and officers	1 35
Education (K-12)	
Attendance centers	
Number of classrooms	7
Number of teachers	237
Number of students	204 3,660
Municipal Water Department	
Number of consumers	
Average daily consumption	5,589
Miles of water mains	2.916MG 93.5
Sewers	
Sanitary sewers	
Storm sewers	89.5 miles 56 miles
Recreation and culture	
Number of parks	
Community playfields	18 with 677 acres
Number of libraries	13 with 34.8 acres
Number of volumes	1
Arena	191,711
Trailer park facility	2 sheets of ice
Maritime Museum	110 spaces, 40 acres
Community Center	1
Marina	1 2
Employees	
City:	
Classified service	
Exempt	174
Board of Light and Power:	26
Classified service	
Exempt	59 21

# City of Marquette, Michigan

## FIRE-POLICE RETIREMENT SYSTEM

TABLE 19

### REQUIRED SUPPLEMENTARY INFORMATION

### REVENUES BY SOURCE AND EXPENSES BY TYPE

#### LAST TEN YEARS

Fiscal Year (A)	Revenues by Source				Employer Contribution As a Percentage of Covered Payroll
	Employee Contribution	Employer Contribution	Investment Income	Total	
1995	\$ 103,234	\$ 198,638	\$ 1,066,042	\$ 1,367,914	9.89
1996	120,704	207,560	1,213,883	1,542,147	9.28
1997	102,645	206,674	1,462,367	1,771,686	9.46
1998	116,596	220,008	1,177,535	1,514,139	9.28
1999	127,939	202,247	1,478,645	1,808,831	8.66
2000	113,401	-	1,071,307	1,184,708	-
2001	129,134	-	1,027,022	1,156,156	-
2002	162,374	-	943,630	1,106,004	-
2003	132,935	-	984,658	1,117,593	-
2004	130,190	-	592,642	722,832	-

Fiscal Year (A)	Expenses by Type			
	Benefits	Administrative Expenses	Refunds	Total
1995	\$ 561,309	\$ 404	\$ 13,273	\$ 574,986
1996	687,190	523	189,758	877,471
1997	794,314	47,550	3,944	845,808
1998	834,682	71,645	23,230	929,557
1999	951,649	81,879	64,554	1,098,082
2000	991,179	70,429	-	1,061,608
2001	1,067,222	97,975	-	1,165,197
2002	1,150,410	101,643	-	1,252,053
2003	1,162,592	99,205	-	1,261,797
2004	1,235,591	102,747	-	1,338,338

Contributions were made in accordance with actuarially determined contribution requirements.

(A) Actuarial valuation date was December 31, of the calendar year.